

Interdependent Engagement:

Corporate Social Responsibility in Bougainville and

Papua

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Declaration

I hereby state that the following thesis is entirely my own original work and has not been submitted for any other degree at any other university or educational institution. All sources of information used in the thesis have been indicated and due acknowledgement has been given to the work of others.

Signed:

A handwritten signature in black ink, appearing to be 'Kylie McKenna', with a stylized, cursive script.

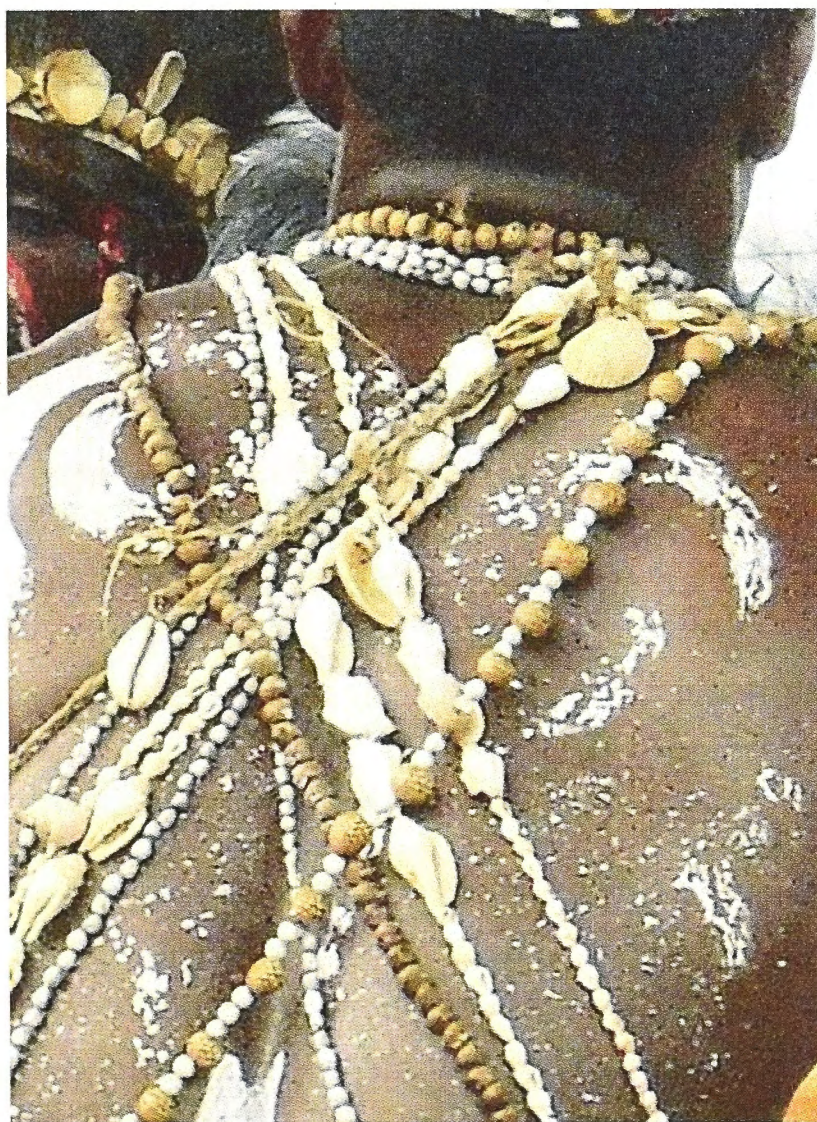
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Date:

26th October 2012

For Gill, Sudrishti and Viraja, with much love and appreciation

"We cannot turn our backs on the tendency to turn the world and its beings into objects which we call "other". We are called more than ever to realize the obvious, that we are not, nor were we ever, living in a world of isolation. We are completely and inescapably interconnected and interdependent" (Roshi, 1999, p.12).



Sentani festival, Jayapura, 2010.

Photo: Kylie McKenna

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Abstract

This thesis is the result of a journey through nine countries, documenting the lessons of over eighty diverse stakeholders, ranging from multinational resource company executives to local landowners, about how businesses can amend their Corporate Social Responsibility (CSR) practices to facilitate peaceful development. Drawing on the cases of Bougainville and Papua, it analyses the effectiveness of dominant mainstream models of CSR pursued by major resource companies to respond to threats to peace that arise from the issues of most concern to locals. A problem that this thesis reveals is that despite a commitment to CSR, Bougainville Copper Limited (BCL), PT Freeport Indonesia (Freeport) and BP (British Petroleum) failed to resolve local grievances related to their business practices in Bougainville and Papua. A framework of 'Interdependent Engagement' is designed in response to these failures. Interdependent Engagement addresses limitations of CSR to resolve the conflict flashpoints associated with the extraction of natural resources.

Contrary to common expectations, the voluntary social and environmental initiatives pursued by the extractive industry do not automatically lead to improved conditions for local communities. In some cases, particularly where armed conflict arises, these initiatives may even produce more harm than good. Despite this potential danger, corporations continue to be encouraged to expand the scope of their existing CSR practices to encompass a role in peace building.

Guided by a multi-site research design, the thesis connects the motivations, intentions and constraints of corporations operating in zones of conflict with local perspectives and expectations in the CSR context. The data confirm that dominant forms of CSR as

used by the case study companies are limited in their capacity to assist resource extraction companies to avoid social conflict. This is due to the fact that CSR has historically tended to focus primarily on the distribution of material benefits, rather than on engagement with the deeper sources of injustice that resource companies often become entangled with. Drawing on the case studies of Bougainville and Papua, eight crucial sites of interdependence between BCL, Freeport and BP and the grievances at the heart of the two conflicts are identified. These are:

1. historical injustice;
2. the denial of customary land rights;
3. regional inequality & contests over resource wealth;
4. cultural, political and economic marginalisation;
5. human rights violations;
6. community disruption;
7. environmental damage, and
8. aspirations to define the future.

The thesis finds that there are four important limitations of dominant models of CSR discourse that have constrained its ability to engage with these interdependencies. These are: the emphasis on pledges over institutional change, responsiveness to host states to the exclusion of local communities, failure to incorporate alternative visions of justice into the design of voluntary social and environmental initiatives, and the implementation of one-size-fits-all solutions to complex social and environmental problems.

A significant outcome of this thesis is a new method for the design of CSR in areas affected by conflict – Interdependent Engagement. Based on the principles of mutuality, reflexivity, engagement and flexibility, Interdependent Engagement is presented as a model of CSR transformed.

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Glossary and Abbreviations

ABG	Autonomous Bougainville Government
<i>adat</i>	Customary or indigenous
AGA	Applied Geology Associates
ALP	Australian Labor Party
AMDAL	<i>Analisis Mengenai Dampak Lingkungan</i> (Integrated Environmental and Social Impact Assessment)
ARCO	Atlantic Richfield Company
BCL	Bougainville Copper Limited
BP	British Petroleum or ‘beyond petroleum’
BRA	Bougainville Revolutionary Army
BRF	Bougainville Resistance Forces
Brimob	<i>Korps Brigade Mobil</i> (Mobile Brigade)
<i>Bupati</i>	Regency Head
CEO	Chief Executive Officer
CSER	Corporate Social and Environmental Responsibility
CSR	Corporate Social Responsibility
CRA	Cozinc Rio Tinto Australia
EIS	Environmental Impact Study
Freeport	PT Freeport Indonesia
<i>hak ulayat</i>	Indigenous land rights
ICBS	Integrated Community Based Security
ICG	International Crisis Group
JATAM	<i>Jaringan Advokasi Tambang</i> (Mining Advocacy Network)
Komnas HAM	<i>Komisi Nasional Hak-Hak Asasi Manusia</i> (Indonesia’s National Commission for Human Rights)
LEMASA	<i>Lembaga Musyawarah Adat Suku Amungme</i> (The Amungme Tribal Council)
LEMASKO	<i>Lembaga Musyawarah Adat Suku Kamoro</i> (The Kamoro Tribal Council)
LNG	Liquefied Natural Gas
LPMAK	<i>Lembaga Pengembangan Masyarakat Amungme dan Kamoro</i> (The Amungme and Kamoro Community Development Organisation)

<i>merdeka</i>	<i>freedom or liberation</i>
MRP	<i>Majelis Rakyat Papua</i> (Papuan People's Council)
NGO	Non Government Organisation
NPLA	New Panguna Landowners Association
OPIC	Overseas Private Insurance Corporation
OPM	<i>Organisasi Papua Merdeka</i> (Free Papua Movement)
PLA	Panguna Landowners Association
PNG	Papua New Guinea
PNGDF	Papua New Guinea Defence Force
PTFI	PT Freeport Indonesia
<i>Raskolism</i>	Activities of criminal gangs from Papua New Guinea
RAV	Resettlement Affected Villages
<i>reformasi</i>	Democratic reform movement at time of fall of President Suharto
<i>rekognisi</i>	recognition
SIA	Social Impact Assessment
SEIA	Summary Environmental Impact Assessment
<i>suku</i>	Tribe
<i>tanah negara</i>	State-owned land
TBO	<i>Tenaga Bantuan Operasi</i> (civilians who provide assistance to the Indonesian military)
<i>terra nullius</i>	land belonging to no one
TIAP	Tangguh Independent Advisory Panel
TNI	<i>Tentara Nasional Indonesia</i> (Indonesian military)
<i>Tongoi Papua</i>	Freeport Union for indigenous workers
UN	United Nations
US	United States
WALHI	<i>Wahana Lingkungan Hidup Indonesia</i> (Indonesian Forum on the Environment)
<i>wantok</i>	<i>one talk or language</i>

Chapter 1: The Challenge of CSR and Conflict

...In every organisation or company, the management should be connected with us. It took so many years to understand that. Nobody understood that at the time ... but they do now.

(BOU18, Bougainvillean landowner, interview with Kylie McKenna, Bougainville, 2010).

In April 2010 I travelled to Arawa, the old mining town of the Bougainville copper mine in the south of the island. During my stay in Arawa I visited the house of an elderly Bougainvillean landowner who had a long history of involvement in the Panguna Landowners Association (PLA). During the operating years of the Bougainville copper mine, the PLA lobbied for a greater share of the wealth derived from the project for local landowners, and compensation for the environmental damage it caused. I had only arranged to speak with this one landowner, but during our meeting about ten people from his family joined us. They sat across from the elderly man and myself in silence, listening to every word he recounted of his experiences of the past, and his hopes for Bougainville's future. During our discussion, he spoke of the unfairness of the Australian colonial Administration that supported a mining agreement that was not considered to include the people of Bougainville. The landowner spoke of lobbying BCL and the Papua New Guinea (PNG) Government for more compensation, and the

unwillingness of the corporate executives at the time to listen to the grievances of local people. He spoke of communication problems between landowners and BCL's Village Relations Office, of the murder and rape of women by migrants to Bougainville from other parts of PNG and the feeling of becoming a stranger on his own land.

The story I heard that day reflected upon an extremely painful past. But as images of the past were invoked, the elderly landowner also drew my attention to possible futures for the Bougainville copper mine. He went on to talk about a belief that BCL have learned from the mistakes of the past, and his certainty that if Bougainvilleans truly want independence from PNG, the mine must be re-opened.

In a deceptively simple way, this story encompasses many of the lessons learned during the course of this study. Drawing on the thoughts of over eighty stakeholders, ranging from multinational resource company executives to local landowners, this thesis explores the theme of how businesses might amend CSR practices to facilitate peaceful development. As the landowner alluded in his comments about the connection between local people and corporations, this study focuses on the interdependence that exists between large natural resource companies and the societies in which they operate. The purpose is to investigate the productive possibilities that might emerge from engaging with this interdependence, rather than denial of it. The aim is to contribute to understandings of how large natural resource companies can not only avoid the violent conflict that is so often associated with the extractive industry, but can actually facilitate the peaceful development of natural resources.

The following research questions lie at the heart of this thesis:

1. Is there a role for large natural resource companies in the promotion of peace building?
2. How effective is CSR in resolving local grievances related to resource development?
3. Why is it that, despite a commitment to CSR, large natural resource companies failed to resolve the local grievances related to resource development in Bougainville and Papua?
4. How might CSR be transformed to avoid the violent conflict that is often associated with resource development?

The scope of the study

The empirical focus of the research presented here is the business activities of three large natural resource companies and their corporate partners operating in Bougainville (PNG) and Papua¹ (Indonesia):

- Bougainville Copper Limited (BCL); the operator of the Bougainville copper mine located in Panguna, Autonomous Region of Bougainville, PNG. Ownership of BCL consists of 53.58 per cent Rio Tinto, the PNG Government 19.06 per cent, public shareholders 27.36 per cent (Bougainville Copper Limited, 2010)
- PT Freeport Indonesia; operator of the Ertsberg and Grasberg copper and gold mines located in Papua province, Indonesia. PT Freeport Indonesia is owned by Freeport-McMoRan Copper & Gold, 90.64 per cent and the

¹ This study uses the term 'Papua' to refer to the entire western half of New Guinea despite its division into two separate provinces, Papua and West Papua in 2003 (see Ch 7).

Indonesian Government 9.36 per cent (Freeport-McMoRan Copper & Gold, n.d.a). Rio Tinto also has a significant joint venture interest in the Grasberg mine, entitling the company to “40 per cent share of production above specified levels until 2021 and 40 per cent of all production after 2021” (Rio Tinto, 2011). “40 per cent share of production above specified levels until 2021 and 40 per cent of all production after 2021” (Rio Tinto, 2011).

- BP (British Petroleum or ‘beyond petroleum’); operator of the Tangguh Liquefied Natural Gas (LNG) project located on the Bintuni Bay area, West Papua province, Indonesia. Partners in the Tangguh project include: Mitsubishi and INPEX Corporation 16.30 per cent, China National Offshore Oil Corporation 13.90 per cent, Nippon Oil Exploration (Berau) 12.23 per cent, KG Berau/KG Wiriagar (held by a consortium of small Japanese companies) 10.0 per cent, LNG Japan Corporation 7.35 per cent, Talisman 3.06 per cent (BP p.l.c, 2012a).

The study deliberately focuses on companies in the extractive sector, rather than other industries because of the centrality of natural resource development to the Bougainville and Papua conflicts, and the strong links between this industry and civil conflict globally (Bannon & Collier 2003; Ross 2004). Because of the consideration of resource conflict through the lens of CSR, the operating companies analysed are all high profile, multinational corporations with a public commitment to social and environmental programs. Moreover the intention is not to provide an extensive account of *all* resource development projects in Bougainville and Papua, but rather to reveal the extent to which the CSR programs used by the case study companies have been designed to engage with the concerns of local communities in these areas.

Bougainville and Papua are just two of sixteen recorded civil wars around the world linked to natural resource development during the period 1990-2002² (Ross, 2003, p. 18). However these locations have been under-represented in scholarly studies of the role of CSR in resource conflict. Much of the existing CSR literature focuses on Africa, and in particular the case of Shell in Nigeria (Akpan, 2006; Ite, 2004; Omeje, 2005; Pegg, 1999; Watts, 2004; Zalik, 2004). The African literature draws on local accounts of CSR to pose useful questions about the field of CSR more broadly. A similar approach to the case studies is adopted in this thesis. By connecting the motivations, intentions and constraints of executives from large natural resource companies with local³ perspectives, this research builds on existing scholarship to provide a detailed account of the social consequences of this field of business practice. In this sense the aim is to contribute to knowledge of the causes of resource conflict in Bougainville and Papua specifically, as well as to elucidate lessons that might be learned from these particular conflicts for the development and implementation of beneficial CSR in other locations.

Bougainville and Papua are particularly valuable cases to examine as they both provide a 50-year longitudinal perspective over which to consider how CSR might be re-conceptualised to more effectively contribute to peaceful development. The history

² However the roots of both the Bougainville and Papua conflicts stem from much earlier than 1990.

³ The term 'local' will be used broadly throughout this thesis to refer indigenous Bougainvilleans and Papuans. This term however, is problematic due to the fact that grievances related to resource development vary according to a variety of factors such as, vicinity to the project and development priorities. Effort will be made throughout the thesis to the labelling of groups, particularly in Chapter 7 where the priorities of mining lease landowners will be contrasted to those not 'directly affected' by the resource project. It will be argued that failing to engage with what can be quite different sets of concerns can lead to the creation of new internal conflict.

and current context of the conflicts in Bougainville and Papua have been the subject of significant and distinguished study in which the connections between the relevant multinational corporations and the dynamics of the two conflicts has been identified (Ballard, 2001; Ballard & Banks, 2007; Braithwaite, Charlesworth, Reddy & Dunn, 2010; Braithwaite, Braithwaite, Cookson & Dunn, 2010; Filer, 1990; Regan 2003). The intention of the research presented in this thesis is not to attempt to re-write or duplicate this work. Rather, by combining prior research with new fieldwork, the aim is to analyse the potential for the association between resource development and armed conflict to be somehow transformed to facilitate peace. Moreover, the case studies of Bougainville and Papua are not highlighted because there are gaps in the existing literature about the details of the two conflicts, but rather the case studies have been selected as mechanisms through which to consider the possibilities that exist for large corporations to contribute to peace.

The final parameter to acknowledge from the outset is that this study will primarily focus on the action that resource extraction companies (as opposed to governments or other actors) operating in conflict zones take to manage the potential for conflict. This action ranges from 'business as usual' to proactive initiatives targeting specific social and environmental problems. The focus on corporate activity excludes other variables which might alter the impacts of resource development on conflict affected societies, such as the role of importing state policies in shaping the 'resource curse' in exporting countries (Wenar, 2011). The intention of highlighting the role of corporations is not to deny the relevance of other variables, but rather to enable a clear focus on the discrepancy that exists between CSR practices and local expectations. The purpose being to develop a more meaningful form of corporate engagement with the societies

and environments in which they operate.

Business and peace

Stimulated by the proliferation of civil wars in regions rich in natural resource wealth, as well as high-profile cases of alleged corporate complicity in human rights violations, scholars, international human rights organisations and civil societies have sought to define the responsibilities of business operating in conflict and post-conflict environments. This has been noticeable in the development of numerous international initiatives that feature recommendations about how business can avoid contributing to conflict. Key examples include the United Nations (UN) Global Compact policy dialogue on the Role of the Private Sector in Zones of Conflict⁴ and the Voluntary Principles on Security and Human Rights⁵. These international initiatives have been mirrored by a burgeoning scholarship on the links between natural resources and violent conflict (Bannon & Collier, 2003; Humphreys, 2005; Le Billon, 2001; Ross 2004). While much of the existing literature highlights the negative impacts of corporate activity on the dynamics of armed conflicts, there is an increasing interest in exploring the potential for ethical business behavior to contribute to peace (Ford & McKenna, 2008; Fort &

⁴ At this meeting, “representatives from companies, labour and NGOs [Non-Government Organisations] identified four key issues in conflict prevention and peace building, for which they believed that a multistakeholder approach could be most effective” (United Nations Global Compact, 2006). These include: revenue sharing; conflict impact assessment and risk management; transparency and multistakeholder partnerships.

⁵ Freeport, BP and Rio Tinto are participants in the Voluntary Principles on Security and Human Rights that include a set of principles “to guide Companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms. Mindful of these goals, the participants agree to the importance of continuing dialogue and keeping under review these principles to ensure their continuing relevance and efficacy” (Foley Hoag LLP, 2011). For more information visit: <http://voluntaryprinciples.org/>

Schipani, 2004; Gerson, 2001; Andersson, Evers & Sjostedt, 2011; Oetzel, Westermann-Behaylo, Koerber, Fort & Rivera, 2010). This indicates that scholars are expanding their work on CSR to incorporate the fields of conflict resolution and peace building.

One problem with encouraging business to expand pre-existing CSR commitments is that there remains a gap in understanding about how and why the CSR practices deployed by corporations operating in conflict affected societies can have negative or unintended consequences. Instead, the voluntary commitments pursued by multinational corporations are generally assumed to be beneficial for the affected societies and environments. Consequently, the literature on CSR continues to be dominated by calls for corporations to make voluntary commitments to the communities in which they operate by appealing to their profit motive. This is evident in Michael E. Porter and Mark Kramer's (2006) influential article, *Strategy and society: The link between competitive advantage and corporate social responsibility*.

In contrast to much of the new literature on business and peace which encourages corporations to actively engage in the promotion of peace building processes, this research considers why it is that previous CSR practices have not always achieved their aims. Further, it explains how and why CSR as it currently exists amongst major natural resource companies is limited in its capacity to assist corporations avoid social conflict. The study concludes that this limitation is attributable to the failure of current models of CSR to respond to the social and environmental issues of most concern to locals. This problem stems from the design of CSR practices around the distribution of material benefits, rather than an engagement with the deeper sources of injustice within which resource companies are embroiled.

Reflecting inductively on the data from the case studies of Bougainville and Papua, eight crucial sites of interdependence between large natural resource companies and the grievances at the heart of the two conflicts are identified. These are: historical injustice (Ch 5), the denial of customary land rights (Ch 6), regional inequality and contests over resource wealth (Ch 7), cultural, political and economic marginalisation (Ch 8), human rights violations (Ch 9), community disruption (Ch 10), environmental damage (Ch 11), and aspirations to define the future (Ch 12). In identifying these sites of interdependence, four important limitations of CSR in areas affected by conflict are exposed: the emphasis on pledges over institutional change, responsiveness to host states to the exclusion of local communities, failure to incorporate alternative visions of justice into the design of voluntary social and environmental initiatives, and the implementation of one-size-fits-all (Newell, 2005, p.556) solutions to complex social and environmental problems.

The hypothesis developed in the chapters that follow is that CSR could assist corporations to promote peace building if it were re-designed in such a way as to engage with the interdependencies between business activity and the root causes of conflict. The conclusion reflects more abstractly on the model of Interdependent Engagement as a new path for CSR. This model aims to encourage corporations to incorporate the connections between their operations and the causes of conflict into the planning and conduct of large extractive projects in conflict sensitive environments.

Introducing Bougainville and Papua

There has been relatively little scholarly analysis of Bougainville and Papua in the context of the broader literature on CSR. However, there are a number of striking similarities between the Bougainville and Papua cases that lend them to comparative analysis. Both conflicts involve self-determination as a key aspiration, with a significant proportion of Bougainvilleans seeking independence from PNG, and Papuans seeking independence from Indonesia. Both the PNG and Indonesian governments confront similar problems of governing a scattered and ethnically diverse population. Both of these governments also reluctantly agreed to a form of autonomy as a way to resolve the push for self-government, with both Bougainville and Papua being granted limited forms of autonomy in 2001.

The Autonomous Region of Bougainville

The Autonomous Region of Bougainville is located in the South-West Pacific. The region comprises two main islands, Buka and Bougainville, and numerous surrounding smaller islands (see Figure 1). After the French explorer Louis de Bougainville sailed through the region in 1768, Bougainville experienced several phases of colonial administration. Bougainville is geographically, racially and culturally linked to the Solomon Islands group (Dorney, 2000, p.38), but has been politically incorporated into PNG since the nation's independence from Australia in 1975. Scholars estimate human occupation on Bougainville at almost 30,000 years (Griffin & Regan, 2005, p.xxvii). However despite this long history, the population remains relatively small at just under 200,000 in 2005 (Griffin & Regan, 2005, p. xxvii).

Prior to the 20th century Bougainvilleans did not share a strong sense of unified identity. Rather, people identified themselves according to small independent groups marked by distinct languages and customs. In the latter half of the 1900s Canberra and Port Moresby became increasingly interested in developing the natural resources located on Bougainville, so suggestions that it might break away from PNG were resisted. As these processes took place, a nascent ‘Bougainvillean’ identity began to emerge, the chief marker of which was the dark skin colour of Bougainvilleans in contrast to the peoples of PNG.

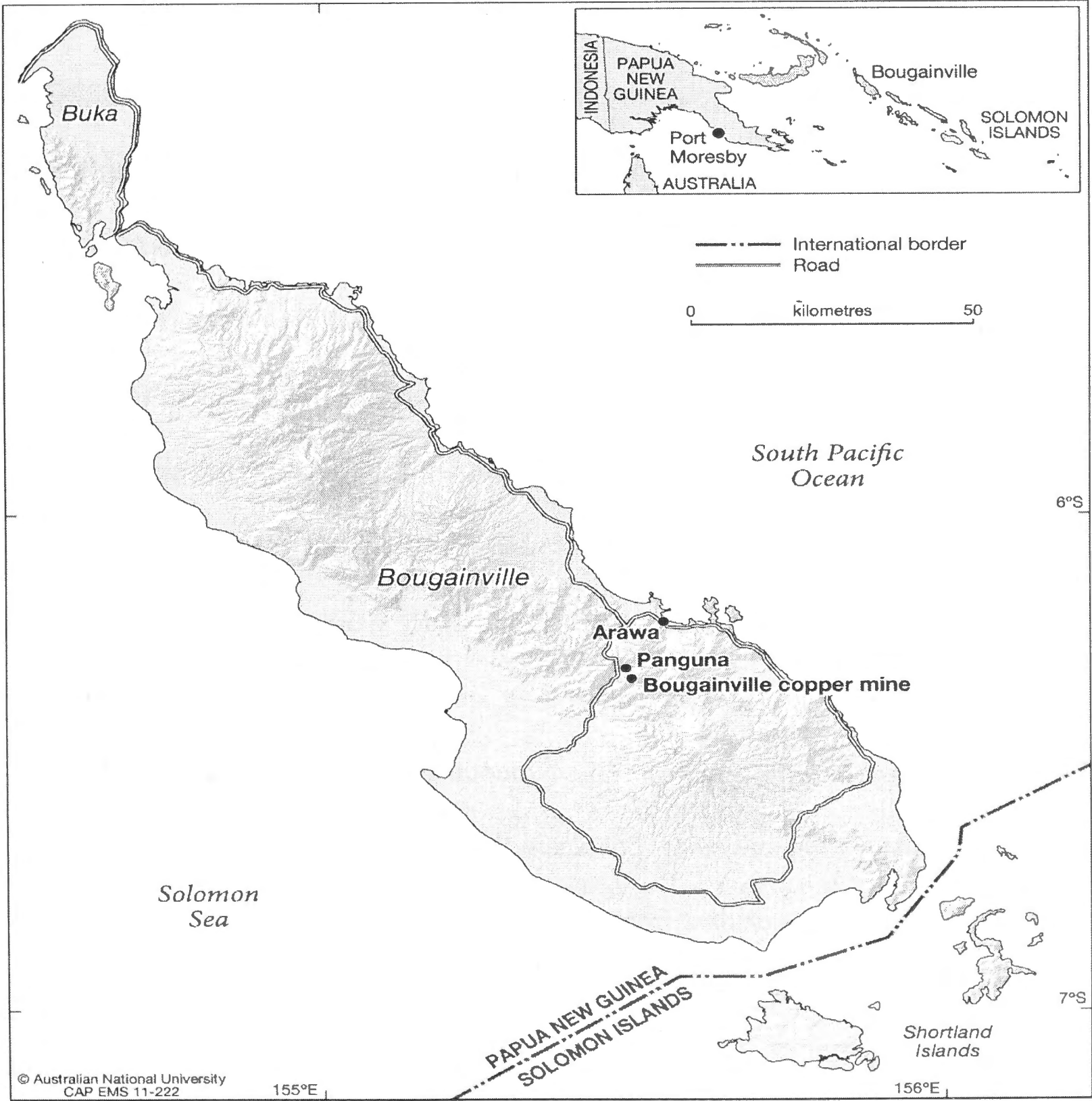


Figure 1 - Map of Bougainville

Rich deposits of copper ore were discovered at Panguna, central Bougainville in 1964. This led to the Australian Administration's forced eviction of local landowners to commence the development of what became the Bougainville copper mine (Sirivi & Havini, 2004, p.xviii). As will be discussed extensively in Chapter 5, the Australian Government was motivated by a perceived need to develop a source of long-term income to finance an independent PNG into the future. The development of the mine in concert with arrangements for the decolonisation of PNG and the secessionist aspirations gaining momentum on Bougainville, laid the early conditions for conflict. The result was a decade-long civil war, which claimed the lives of between 1000-2000 people through direct fighting, but many more through the indirect effects of the war (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.87). This thesis focuses on how BCL attempted to deal with this complex and volatile situation as it unfolded, and contrasts these efforts with the priorities and expectations of locals.

Papua, Indonesia

Papua comprises the western half of the island of New Guinea, which is located 250 kilometers north of Australia (see Figure 2). It incorporates two provinces, Papua and West Papua that include a number of surrounding islands. Similarly to Bougainville, Papua is a region that has been politically incorporated into a nation state that is culturally and ethnically distinct from the local indigenous population (though the rest of Indonesia is also ethnically diverse). While the people of Papua are ethnically Melanesian and share cultural ties with their PNG neighbors, Papua was controversially integrated into the Republic of Indonesia in 1969. Since this time,

Papua has suffered considerable and continuing violence orchestrated by the Indonesian security forces in the name of national development and unity. While deaths from this conflict are estimated to be in the tens of thousands (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.61), the use of torture as an instrument of repression is considered the most prevalent means of violence being perpetrated in Papua today (Hernawan, 2008; Human Rights Watch, 2009).

Papua is rich in natural resources but its population of approximately 3.5 million (see Elmslie, 2010) consistently ranks as one of the poorest in Indonesia (Levi, 2011). The economic importance of Papua to the Indonesian state is directly linked to the control of natural resources by the government and large multinational corporations. As will be discussed in more detail in Chapter 5, the history of resource development in this region has been deeply entangled with the concurrent process of the incorporation of Papua into Indonesia from the 1960s. Since this time an armed resistance movement, *Organisasi Papua Merdeka* (Free Papua Movement or OPM) has lobbied Jakarta for self-determination with associated intermittent armed conflict occurring, particularly in the area surrounding the Freeport mine.

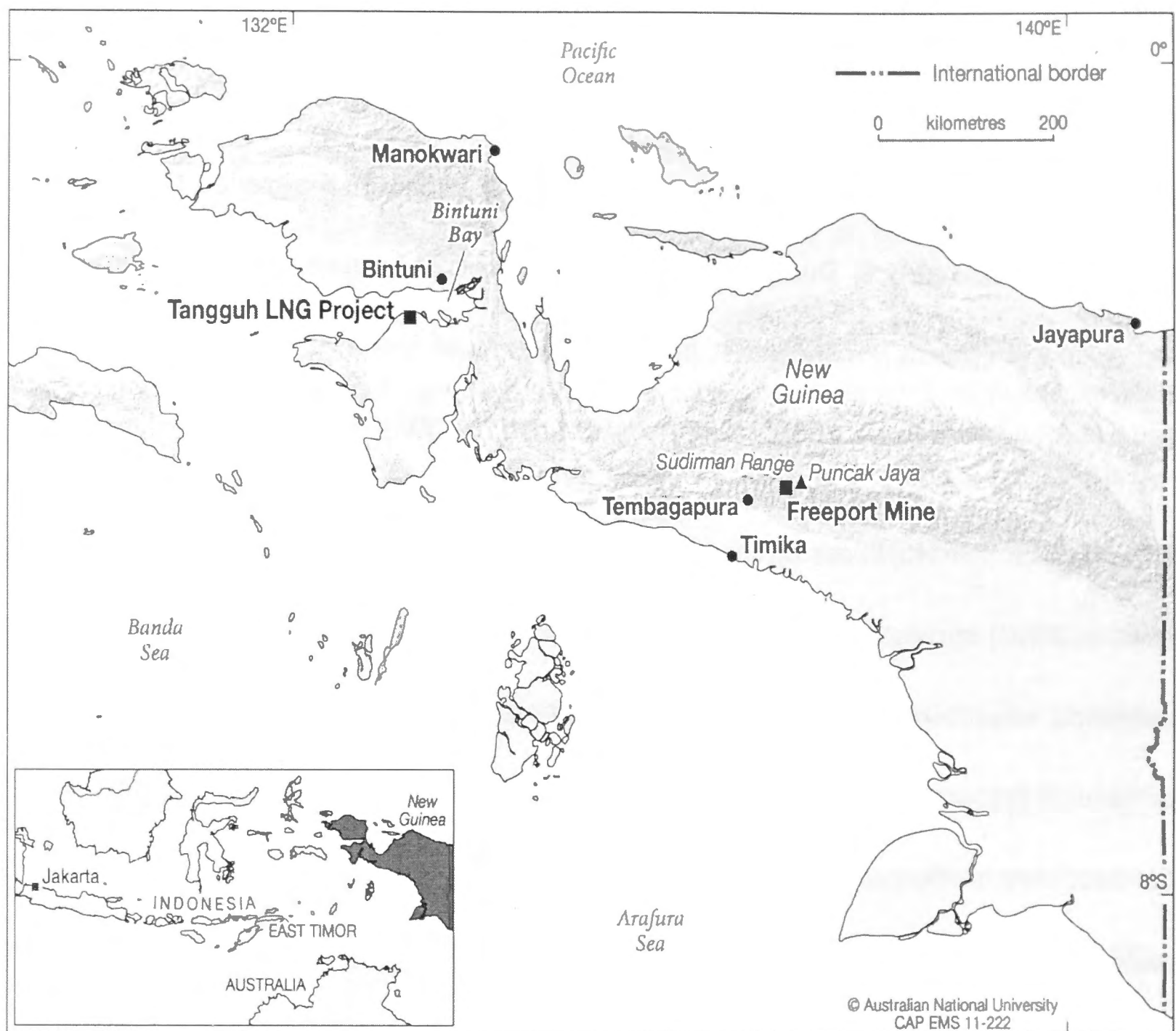


Figure 2 - Map of Papua

Papua is home to the biggest gold mine and the second biggest open cut copper mine in the world, operated by a subsidiary of Freeport-McMoRan Copper & Gold, PT Freeport Indonesia (hereon referred to as Freeport). More recently, in 2004 the multinational company BP constructed an LNG project in the Bintuni Bay area of West Papua province (see Figure 2). This study analyses the social and environmental impacts of resource development in Papua and compares and contrasts the CSR practices and policies of Freeport and BP in Papua and West Papua, with those of BCL in Bougainville.

A Note on Terminology

The term Corporate Social Responsibility (CSR) is used to encompass other related terms such as ‘corporate citizenship’, ‘corporate accountability’ and ‘sustainable development’. It should be noted that while the term CSR is used to encompass a broad range of activities undertaken by corporations in relation to community responsibilities – the term ‘CSR’ itself was not commonly used until the 1990s (see Ch 3). The activities undertaken by corporations in the period from 1920 onwards (see Ch 3) have evolved over time, beginning with fairly basic public relations exercises to more sophisticated community development models, or what Kemp (2009, p.204-6) refers to as ‘high-end participation’. These distinctions have been a priority for analysts seeking to trace the development of corporate thinking in this area. However what is of interest for the purposes of this thesis is that all of these activities were designed to address corporations understanding their responsibilities to the communities and environments directly impacted by their operations. Furthermore, throughout this thesis preference is given to the term CSR due to the theoretical and methodological opportunities that arise from a detailed analysis of the ‘social’ element of CSR (McKenna, 2007). Thus, while a broad and encompassing term limits engagement with the nuanced differences among similar terms, in the context of this research it has paved the way for new theorizing in the field.

Chapter 3 argues that previous analysts have taken the inclusion of the ‘social’ in CSR for granted, skating over important opportunities to conceptualise CSR practices as interdependent with the social, political, cultural and economic contexts in which they

are implemented. By highlighting the mutuality that exists between corporations and their local host communities, the need for corporations to prioritise institutional reform, rather than simply distribute material resources is emphasised. While there is an abundance of definitions of CSR, two of the most commonly used are those outlined by the Commission of the European Communities and the World Business Council for Sustainable Development (Dahlsrud, 2008, p.1):

...A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (Commission of the European Communities, 2001) and;

...The commitment of business to contribute to sustainable economic development, working with employees, their families, the local communities and society at large to improve their quality of life (World Business Council for Sustainable Development, 1999).

Broadly speaking, the above definitions capture what it is being referred to by the term CSR throughout this thesis. However, the conclusion outlines a potential new formulation of CSR as Interdependent Engagement.

This study draws on a broad definition of 'peace building' as the creation of a "structure of peace based on justice, equity and cooperation" (Gawerc, 2006, p.49). The term itself has a relatively short history, only becoming popularised in 1992 following Boutros Boutros-Ghali's document, *An agenda for peace, preventive diplomacy, peacemaking and peace-keeping*. Boutros-Ghali originally defined peace building as applicable only to 'post-conflict' situations with a particular emphasis on projects that bring States involved in international conflict together (Boutros-Ghali,

1992).

As will be discussed in more detail in Chapter 3, there has been a shift in the global dynamics of armed conflict away from interstate war towards intrastate conflict (Kaldor, 2007). Moreover, since the early 1990s, the term 'post-conflict' has been problematised as conflict is seldom 'solved' (D'Costa & Ford, 2008, p.11). Consequently, the term peace building has begun to encompass a broader range of activities and actors, with relevance to all phases of a conflict (Gawerc, 2006, p.439). This may include, for example, "establishing dispute resolution mechanisms and cooperative arrangements as well as meeting people's basic economic, social, cultural and humanitarian needs" (Reith & Zimmer, 2004, p.5). It is in this broader sense that the term peace building will be used throughout this thesis.

Chapter Outline

Chapter 2 sets out and justifies the research methodology, and outlines the six phases of the research and their corresponding sources of data. It also discusses the iterative design of the Interdependent Engagement Framework alongside the emergence and analysis of new data.

The third chapter describes the theoretical framework through which CSR in Bougainville and Papua will be analysed. Drawing on Bruno Latour's (2005) work, *Reassembling the Social: An Introduction to Actor-Network Theory*, the chapter questions the use of the word 'social' in CSR without any explanation of what the 'social' refers to in this context, or what the idea incorporates. By problematising the use of the social, it is argued that CSR is not a static relationship between an abstract

notion of society, but a field that incorporates a diverse range of actors with their own interests and agendas. This understanding of CSR makes it possible to think of corporations as interdependent with the social, political, cultural and economic contexts in which they operate. Following this conceptual critique, the chapter draws on the work of Nancy Fraser (1996; 1997; 2000) to question the types of justice claims that CSR has been designed to redress. It is argued that CSR as it currently exists amongst major resource companies is primarily structured around a distributive justice paradigm, whereas armed conflicts are often characterised by claims for both 'recognition' and 'redistribution'. For corporations to resolve local grievances related to resource development in conflict areas, they may need to expand this focus to also include cultural or symbolic recognition through, for example, acknowledging the role of resource development in the historical incorporation of Papua into Indonesia.

Chapter 4 explains the actors, institutions and important events involved in the Bougainville and Papua conflicts. Through a discussion of the historical entry points of BCL, Freeport and BP into Bougainville and Papua, the chapter introduces the eight crucial sites of interdependence identified between the companies and the grievances at the heart of the two conflicts: historical injustice, the denial of customary land rights, regional inequality, contests over resource wealth, cultural, political and economic marginalisation, human rights violations, community disruption, environmental damage and aspirations to define the future.

The remaining eight chapters outline each component of the Interdependent Engagement Framework that will be fleshed out in the conclusion of the thesis. Each chapter focuses on the local grievances associated with BCL, Freeport and BP's

presence and activities in Bougainville and Papua and how the companies have engaged and/or disengaged with these concerns.

Chapter 5 explores the intertwining of resource development with local historical narratives in Bougainville and Papua. The chapter establishes how BCL and Freeport have been perceived by Bougainvilleans and Papuans as the providers of the financial capacity that has trapped them in an unwanted political relationship with PNG and Indonesia respectively. The chapter argues that BCL and Freeport have become caught up in Bougainville and Papua's highly emotive political contests for self-determination. Despite this connection, current and former executives of BCL and Freeport have been reluctant to acknowledge their complicity with broader colonisation and decolonisation processes. Instead, the companies have approached the local community according to a distributive justice framework (which in practice has sometimes been a distributive injustice project), in which they have sought to establish harmonious relationships with communities through the distribution of material benefits. In order for companies to resolve the roles they have been perceived by locals to have played in historical injustices, corporations need to widen this focus to include symbolic recognition, through for example, rewriting the original legal agreements between states and companies to recognise the customary land rights of landowning communities.

Chapter 6 explains that as a result of the state's control of natural resources, BCL, Freeport and BP have been generous and responsive to the central governments of PNG and Indonesia, reinforcing the state's denial of customary land tenure. One problem associated with this approach is that local indigenous populations often

perceive the state as the main perpetrators of the injustices that give rise to armed conflict. To redress this 'framing error', a model of CSR that establishes local communities as active participants in the resource project is advocated.

Chapter 7 explores the inequitable distribution of resource wealth in favour of the central governments of PNG and Indonesia, rather than the resource producing regions of Bougainville and Papua. While recognising the importance of achieving an equitable distribution of resource wealth, giving locals a greater share of this wealth is not sufficient to avoid conflict. Rather, the potential to avoid conflict is contingent on *how* this wealth is distributed; as well as an engagement with how these resources can distort local relationships. One way this might be achieved is through a model of CSR that responds to the changes that occur in relationships at the national, provincial and local levels in an ongoing manner.

Chapter 8 discusses the efforts made by the three companies to initiate dialogue with local communities. As a consequence of the companies responsiveness to the state discussed in Chapter 6, BCL and Freeport have not succeeded in opening long-term dialogue with all stakeholders of the resource project. This exclusion aggravates broader grievances relating to cultural, political and economic marginalisation. In the Interdependent Engagement Framework, preventive peace dialogue on the social, political, economic and environmental terms of access to land takes place through ongoing and collaborative negotiations between all stakeholders of the resource project.

Chapter 9 argues that BCL and Freeport have failed, in different ways, to recognise the fears about, and hostilities towards, the state's security forces held by locals. In contrast, BP's Community Based Security Strategy deployed in Papua has

demonstrated an awareness of the apprehension that many Papuans hold towards Indonesian security forces. The chapter explains how and why BP's community model was made possible and the positive ramifications that have followed from this approach.

Chapter 10 argues that natural resource companies have a limited capacity to predict the social impacts that resource development will have on a local community. This is reflected in the cases of Bougainville and Papua where resource projects have created a number of social problems that were either not anticipated during the initial stages of the projects, or the companies were unwilling to engage with because of the way they saw their business interest. Consequently, the three companies have become caught up in broader processes of community disruption. The chapter explains that this might be avoided through the development of flexible and context-specific community development projects that respond to problems as they emerge, rather than static solutions based on a company or consultants past experiences in radically different circumstances. This flexibility also enables corporations to develop the capacity to use local grievances as the basis from which they can implement more meaningful community development projects.

Chapter 11 argues that the adoption of 'sustainable development' discourse by the natural resource sector has not led to greater local participation in decisions relating to the environment. In the cases of Bougainville and Papua, this is reflected in the marginalisation of indigenous landowners in environmental impact assessments and surveys. Consequently, decisions relating to environmental management have tended to be made by actors and institutions that do not share the same cultural attachments

to land. The environmental damage caused by natural resource development has a tendency to provoke conflict, as it triggers strong feelings of injustice relating to the control of land and the denial of local wisdom. The chapter explains that through learning to be more interdependent with indigenous peoples, resource companies can develop more meaningful, less Western and more spiritually engaged forms of ecological interdependence.

Chapter 12 argues that participation in the promotion of local reconciliation processes is the greatest opportunity that natural resource companies have to empower locals to determine their own future. While there are important differences between Bougainville and Papua in regard to the roles that companies are expected to play in reconciliation processes, both cases emphasise the need to work towards mutually beneficial economic development. For this to occur, all stakeholders need to take active responsibility for the resource project, including the local community.

Chapter 13 draws together the lessons of each chapter into a new inductive model, which I have called 'Interdependent Engagement'. The development of this model represents the cumulative learnings of the thesis and aims to create a framework through which companies can establish a more meaningful connection with local communities. The Interdependent Engagement Framework is built around the data collected during the research project. Its core purpose is to address the disconnection between resource companies and local populations that the Bougainvillean landowner referred to in the opening quotation of this thesis.

Chapter 2: Methodology

This chapter sets out the approach that was developed for the empirical research of this study and the rationale behind it. It describes the research in terms of six phases each with corresponding sources of data, particular possibilities and limitations. It also highlights the iterative design of the Interdependent Engagement Framework that will be drawn out in the conclusion of the thesis, alongside new data collection and analysis.

Research philosophy

A qualitative approach was selected to explore the interaction of CSR policies and practices in relation to the dynamics of conflict in Bougainville and Papua. As set out in Chapter 1, answers are sought to the following research questions:

1. Is there a role for large natural resource companies in peace building?
2. How effective is CSR in resolving local grievances related to resource development?
3. Why is it that despite a commitment to CSR, large corporations have failed to resolve local grievances related to resource development in Bougainville and Papua?
4. How can CSR be transformed to avoid the violent conflict that is often

associated with resource development?

Table 1 - Thesis Phases and Data Types

Thesis Phases	Data Type
Phase 1: Fieldwork on CSR and peace building	Interviews at corporate headquarters Existing academic & civil society literature
Phase 2: Case studies and comparison	Existing case study literature <i>Peacebuilding compared project</i>
Phase 3: Implementing CSR	Corporate reports & documents Existing case study literature
Phase 4: Corporate actors in Bougainville and Papua	PNG and Indonesia fieldwork Interviews at corporate national head office Consultants Former employees
Phase 5: Local perspectives and expectations	Bougainville and Papua fieldwork Interviews with landowners, non-government organisations (NGOs), religious leaders, ex-combatants, women’s leaders etc.
Phase 6: Modeling and hypothesising: development of the Interdependent Engagement Framework.	All of the above.

Finding answers to these questions requires both broad inquiry and microanalysis as the field of CSR and the conflicts of Bougainville and Papua are complex and interactive (Creswell, 2003, p.182). This complexity requires methods of qualitative data collection “which are both flexible and sensitive to the context in which data are produced” (Mason, 2005, p.3), rather than quantitative methods that are characterised by more rigid and structured frameworks (Mason, 2005, p.3). The qualitative approach is also more applicable to this study as it emphasises that research questions are emergent

rather than tightly prefigured, and may change and be refined as understanding develops (Creswell, 2003, p.181). An inductive, interpretive approach has been essential to the method of this study, as it has required a shuffling between an emerging new framework for the design of CSR and data collected from multi-sited fieldwork (Creswell, 2003, p.183).

When put into practice this methodological approach resulted in six phases and corresponding sources of data collection (set out in Table 1).

Phase 1: fieldwork on CSR and peace building

The genesis of the research was a larger comparative project examining Myanmar/Burma, Bougainville and Papua. The aim was to target the corporate headquarters of large natural resource companies operating in these three regions as the primary source of data. As Table 1 shows, Phase 1 of the research involved fieldwork with executives at the headquarters of major resource corporations in London, Paris, Geneva, Beijing, Kuala Lumpur and Alberta, Canada. All of these interviews occurred in November and December of 2008.

In Phase 1 interviews with executives from multinational resource development companies' CSR area or related department were undertaken. A list of companies with operations in Myanmar/Burma, Bougainville and Papua was compiled through Internet research and a review of both academic and civil society literature. Participants were then identified by searching publicly available information, such as conference proceedings and news articles, and in official documents, such as annual reports or websites. A letter was then sent to these executives by email, asking them to grant a 1-

2 hour interview at the company's head office. A semi-structured interview was then conducted with executives who agreed to be interviewed focusing on the broad topic of the role of business in the promotion of peace building⁶. As will be discussed in Chapter 3, the corporation is not a 'fixed' or 'static' entity. Thus the decision to interview executives from companies with only a shareholding in the case study projects provided an opportunity to verify data collected from the operating companies.

The aim of this phase of data collection was to understand how corporate actors conceptualise their commitments, responsibilities, successes, risks and failures in contributing to the objective of peace in their areas of operation. The aim was to discover how and in what ways the perspectives of corporate executives matched emerging scholarly and activist expectations that corporations adopt new peace building roles⁷. The initial hypothesis at this point of the research was that existing CSR practices might need to be replaced by a new peace building model. Such a model might enable corporations to avoid the likelihood of creating or exacerbating violent conflict in communities affected by their operations. However, the key finding from the interviews conducted was that corporations would prefer to address issues related to peace building through existing CSR frameworks.

Interviews in Phase 1 were conducted with nine participants; eight were conducted face to face, however the Canadian interview occurred via telephone. The Canadian

⁶ See Appendices for sample interview questions used in the preliminary and in-country fieldwork.

⁷ The expectation that corporations adopt peace building roles will be discussed in detail in Chapter 3.

interview was initially planned to take place face to face, as a second trip to interview executives based in North America was scheduled for 2009. However as will be seen in Phase 3, as findings emerged it became apparent that it would be more illuminating to complement the interviews at international corporate headquarters with in-country fieldwork. All interviews were conducted in English and were not tape-recorded; written notes were taken.

During the course of Phase 1 the study narrowed to two cases, with Bougainville and Papua to be the primary focus, as the quality of access and available data was more promising for these locations than for Myanmar/Burma. Further, existing literature on the Burmese context proved to be thinner and was unlikely to provide adequate answers for the project's research questions.

Phase 2: Case studies and comparison

Phase 2 involved a drilling down from broad understandings of how CSR is structured at the global level and the role of corporations in peace building to a more specific focus on, and comparison between, the case studies of Bougainville and Papua. The interest was in exploring how specific business practices have intersected with armed conflict and how corporations have responded.

Case study approach

A case study method was chosen for considering the aforementioned research questions. According to Yin (1989, p.23), the distinguishing features of the case study method include a focus on contemporary phenomena within real-life contexts when

the boundaries between phenomenon and context are not clearly evident, and in which multiple sources of data are used.

The case study research strategy is appropriate for this study as it seeks to examine the effectiveness of CSR in the context of two areas affected by conflict, with a key interest in exploring how CSR is conditioned by the context in which it is mobilised. In addition, the research questions at the heart of this thesis are too complex for one source of data collection, requiring information from multiple sources (e.g. corporate executives, local landowners, government officials), locations (e.g. the company's home country headquarters, host country head office and local communities), and materials (e.g. corporate documents, newspaper articles and existing scholarship on the two conflicts). The case study method allows the researcher to conduct detailed observations of specific examples to carefully consider the particularities of each scenario. In this study, Bougainville and Papua became the units of analysis, and the aim has been to investigate how CSR is systematically related to local grievances in these two local contexts.

In an era of globalisation, the research sites of social scientists are rarely fixed in single or discretely bounded locations. This development has increasingly required scholars to stretch the methodological traditions of their disciplines in an effort to connect international regulation with local justice (Merry, 2006). The decision to adopt a case study approach was also influenced by the work of Sally Engle Merry (2006) who suggests that a useful way of exploring the impact of placeless global phenomena (such as international human rights discourse) is to "locate sites where global, national, and local processes are revealed in the social life of small groups" (Merry, 2006, p.29).

Merry refers to this approach as 'de-territorialized ethnography' which contrasts from traditional single place-based ethnographies in that it seeks to engage with the fragments of a larger system while recognising the fact that the system is neither coherent nor fully graspable (Merry, 2006, p.29).

The case study approach enables the researcher to move beyond the territorial confines of one site to connect local experiences with global phenomena. Such a capacity is particularly important for this study as CSR policy transcends geopolitical boundaries, connecting the offices of corporate headquarters' to local villages, households and individuals. CSR policies can be designed, for example, by executives at a company's headquarters in London yet implemented by staff at a local head office in Jakarta. The company might also be a signatory to guidelines and voluntary initiatives generated by the UN in Geneva, while conducting regular dialogue in the township hub of a small Pacific province.

CSR policy shares the de-territorialised, transnational character of other global phenomena such as human rights discourse. Therefore a case study approach focusing on the implications for particular people in specific locations is a useful way of grappling with the social consequences of CSR. Bougainville and Papua are both locations where it is possible to map the interplay of global, national and local CSR processes in small communities. As part of Phase 2, existing literature on the characteristics of the conflicts in Bougainville and Papua was examined to build a detailed understanding of how the relationship between the relevant global corporations and local communities emerged, developed, played out and continue to evolve in these locations.

Comparative approach

Once a number of case studies have been identified, a comparative approach opens up opportunities to look for similarities or patterns of behavior, which might be more broadly relevant than for just a single location. Findings of this nature have the potential to establish an evidence base upon which to consider new social theories and models for action. While this thesis combines the case study and comparative approaches, the examination of two case studies are not put forward as constituting grounds for universal applicability. The potential for the findings of this thesis to be applied to the field more broadly should be subject to future research, including detailed analysis of specific local contexts. Acknowledging these limitations, the examples of Bougainville and Papua are presented in this study to point to possible global connections, rather than to firmly define them.

As discussed in Chapter 1, Bougainville and Papua were chosen as case studies due to a number of striking similarities. Perhaps the most compelling similarity is the strong connection between natural resource development and the political incorporation of both Bougainville and Papua into geographically distant nation-states. This has implicated BCL, Freeport and BP in the justice claims of a large proportion of Bougainvilleans and Papuans. A rich body of literature has examined the complex associations of these corporations with the dynamics of armed conflict in Bougainville and Papua. This literature will be discussed in more detail in Chapter 4 and ranges from analyses of natural resources as a structural factor at the roots of conflict (see Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.103; Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.144), to the consequences of natural resource development

on the two indigenous populations (such as human rights violations (Ballard, 2001), social disintegration (Filer, 1990) and environmental damage (Connell, 1991). This study seeks to build on this solid analytical foundation by offering insights into how large corporations might transform their business practices in order to contribute to peace.

In addition to the political similarities that exist between Bougainville and Papua, there are also historical commonalities between the case study companies. Both BCL and Freeport signed their first legal agreements with their respective host governments in 1967. The similarities between the historical trajectories of BCL and Freeport provides a unique, longitudinal opportunity to compare the types of measures the two companies have implemented to achieve more harmonious relationships with local host communities. Aside from the two mining enterprises, a much newer project in West Papua operated by BP will also be examined. BP's Tangguh LNG project, which began production in 2005, is an important additional case study as the company is considered by many commentators to have made a particularly admirable effort in the area of CSR (Ross, 2003, p.29). While it is very early in the life of the Tangguh project, the case provides a valuable insight into how one company has attempted to design its CSR policies and practices in light of the lessons learned from previous projects. Moreover the research presented in this thesis is a comparative analysis of three companies operating across three provinces: Bougainville, Papua and West Papua.

'Peacebuilding Compared'

During Phase 2, the researcher of this study was fortunate enough to be able to draw on the work of several regional scholars based at the Australian National University, as

well as to hook into the 20 year *Peacebuilding Compared* project led by Professors John Braithwaite and Hilary Charlesworth. These connections have been essential to the empirical depth of this study, particularly in terms of identifying sources of data, establishing new connections in the field as well as providing important points of triangulation for the new data collected. Aside from fieldwork undertaken for this thesis, 248 interviews have been conducted for the *Peacebuilding Compared* project on the Bougainville case (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.141) and 99 on the Papua case (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.146). As a member of the project team, I had access to fieldwork notes from each of these interviews conducted by others.

The analysis of the combined Bougainville and Papua material illuminated the key grievances of the local communities. It also identified the diverse range of actors, institutions and events that were identified as the triggers of those grievances. The aim of documenting the conflicts in Phase 2 was to provide an opportunity to easily contrast the concerns of local communities with the types of social and environmental initiatives pursued by the three companies.

Phase 3: Documenting CSR

In Phase 1, it was discovered that corporations see CSR as the primary vehicle through which they have opportunities to promote peaceful development. In Phase 2 a deeper understanding of the issues that instigated the conflicts in Bougainville and Papua developed. In Phase 3, a broad range of corporate reports and documents was examined in order to investigate how well the existing CSR practices of the three

companies aligned with the root cause of the two conflicts. The aim was to trace the characteristics of the CSR practices of the case study companies to uncover the types of practices that have been, and are currently being, implemented in Bougainville and Papua. Corporate documents available in the public domain (such as company websites, annual reports, CSR reports and public interviews) were the main source for this phase of data collection. A number of common themes were identified across all of the corporate materials examined and thus are listed in Table 2.

Table 2 - Characteristics of CSR

Statement of corporate values and approach to CSR
Employment practices & local-national-expatriate ratios
Security
Social programs
Economic development & infrastructure
Human rights
Environmental projects
CSR budget information

A particular benefit of corporate documents is that they provide an unobtrusive means of sourcing information and “represent data that are thoughtful, in that participants have given attention to compiling” (Creswell, 2003, p.187). These corporate documents were also an important supplement to the data collected from interviews with

individual executives, providing insight into the complex relationship between the executives' subjective perspectives and objective interests. The drawback to public corporate documentation as a data source is that the information is highly filtered to present the company in the best possible light, and, as such, may not provide a completely open account of the company's interests and intentions. They are also often designed for an international rather than a local audience. However they do provide a valuable insight into the basis upon which corporations consider themselves to be socially responsible. The analysis of secondary materials was also complimented with the corporate executive interviews undertaken in Phases 1 and 4. This provided useful opportunities to 'control' the line of questioning, or pursue issues that the public documents did not cover (Creswell, 2003, p.186). Interviews also open the opportunity for respondents to provide additional information outside of the company's highly structured public documents.

Combining the findings from Phases 1, 2 and 3 a draft framework was developed for how CSR might be usefully reworked to assist companies to avoid conflict. The draft framework focussed on the existence of discrepancies between local perspectives of the problems associated with the resource projects and the focus of existing CSR policies. It also outlined an emerging disjuncture between the visions of social justice held by corporations and local communities. In this way the draft framework provided the beginnings of a new theoretical approach to how CSR might be transformed to reduce the likelihood of resource development contributing to conflict. The remaining phases aimed to collect relevant data to enable the development of a practical model that might offer an alternative means for the design of CSR in areas affected by conflict.

Phase 4: Corporate actors in Bougainville and Papua

Phase 4 marked the commencement of specific fieldwork related to the Bougainville and Papua conflicts. As mentioned earlier I had not initially planned to undertake regional or local fieldwork. However, as my understanding of the discrepancy between existing CSR policies and the priorities of locals increased, it became essential to collect primary data to explore this hypothesis. In line with Merry's (2006) approach to de-territorialised ethnography in-country fieldwork provided an opportunity to trace the translation of global CSR policies into tangible action in two specific locations. Figure 3 plots the locations of all the fieldtrips conducted in the course of this research. During Phase 4 two consecutive fieldwork trips to PNG and Indonesia were undertaken, in which executives and former employees from the case study companies, BCL, Freeport and BP, were interviewed. This included interviews with current and former consultants working with the case study companies with knowledge or expertise on these companies such as, consultants and former employees.

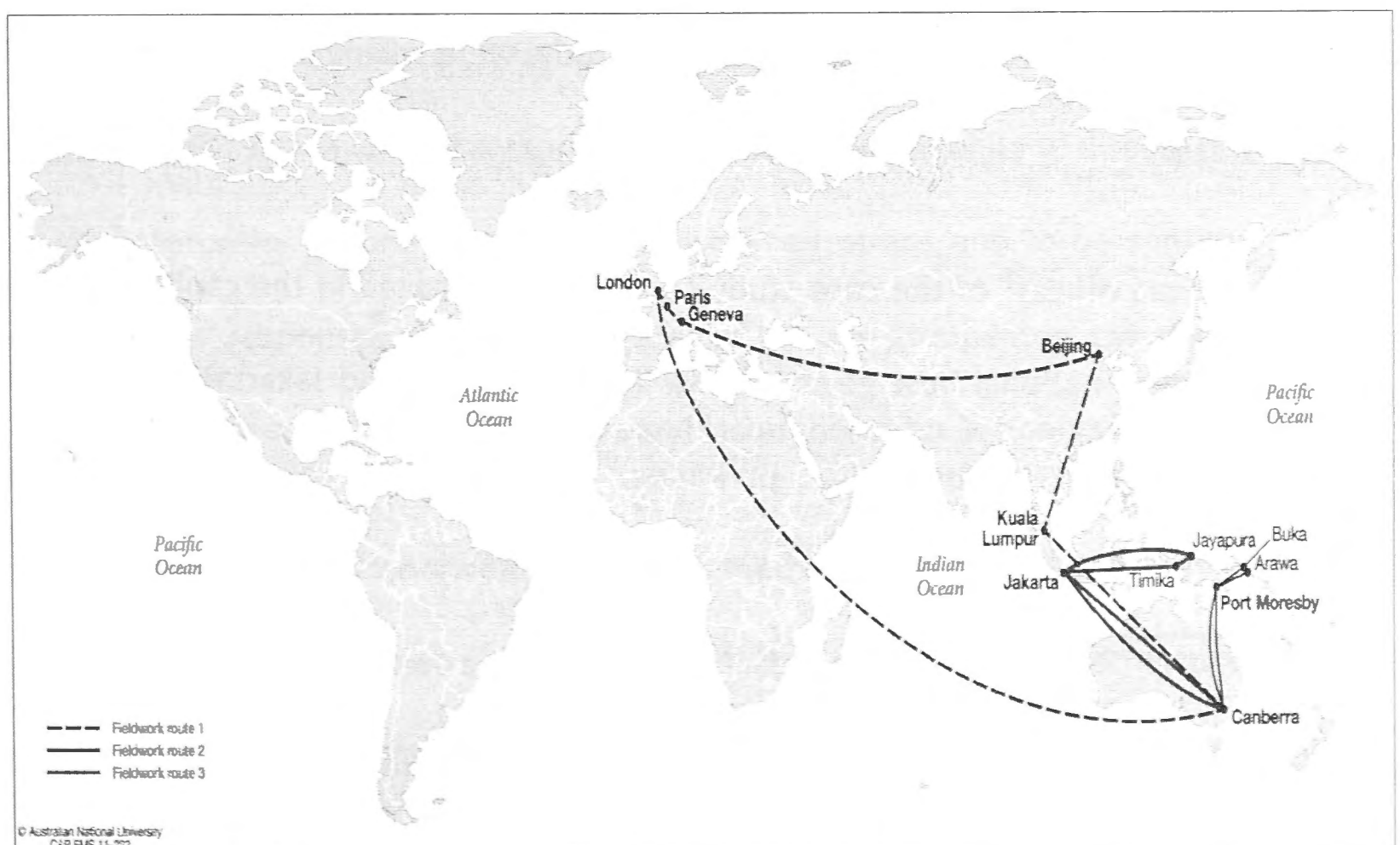


Figure 3 - Map of field sites

The draft framework developed in Phase 2 and the analysis of corporate materials in Phase 3 provided the basis for the questions asked during interviews in Phase 4. Using a similar method to the Phase 1 interviews described earlier, participants were identified by searching publicly available information on the Internet and in official documents. In cases where names and contact details were not available in the public domain, a letter was sent to the company's headquarters requesting the appropriate contact details. In two of the case study companies, executives who participated in earlier interviews assisted in providing new local contacts with various people within the company. Utilising the relationships with corporate executives developed in earlier phases of the research proved an effective strategy. The fact that the research request was brought to the executives' attention from company headquarters, assisted in generating swift and enthusiastic responses. Two out of the three operating companies were very willing to participate during the field trip and all participants (see Tables 3 and 4 for a breakdown of participants per case study) were willing to be interviewed at a later stage.

The local head offices⁸ of the case study companies are based in the capital cities of their respective national host governments (Port Moresby⁹ and Jakarta), rather than provincially located in Bougainville or Papua. Interviews with corporate executives

⁸ Interviews with current executives from these companies took place in their local head office, with the exception of one executive who offered to be interviewed during a visit to Canberra.

⁹ Despite the suspension of BCL's mining operations in Bougainville, the company continues to have a management team in Port Moresby.

were mostly conducted in English. Executives from BCL and Rio Tinto were fluent in English; however five participants from BP were not, so an interpreter was used. On one occasion, a group interview took place involving six participants, five of whom were not fluent in English. One of these participants, a fellow BP executive with English language training from a tertiary institution, offered to interpret the interview.

The use of interpreters in qualitative interviews can threaten the validity of data collected. The major concerns are that the interpreter will summarise and/or modify responses; constrain the researcher from probing further into the interviewees' responses; or that the interpreter will not be sensitive to responses that are not wholly satisfactory or truthful (Kaborg & Bertero, 2001, p.52-3). These concerns were particularly pertinent to the interviews that took place at BP's head office in Jakarta where a colleague of five of the participants acted as an interpreter in a group environment. There was minimal opportunity to change this scenario, as the researcher was not made aware in advance that more than one executive would be attending the interview, or that the additional participants had minimal English language skills. However, the researcher did have an opportunity to discuss his/her role as the interpreter to understand and translate questions and to be sensitive to the interviewees' responses. With the exception of the one group interview at BP, all other interviews were conducted one-on-one and lasted between 1-2 hours.

Aside from executives who were working in the companies' head office, in this phase of data collection, interviews were also conducted with numerous other people with valuable knowledge of the companies' CSR activities. This included former employees, consultants and executives from shareholder companies.

The stakeholders in the two case studies were numerous and I did not interview all of them. Indonesian, Australian and PNG government officials are another group of stakeholders who could have been included in this phase of the research. Their views as the regulators which set the terms and conditions of resource extraction would add another layer of verification and would likely provide additional (divergent) perspectives. Data was also not collected from individuals associated with the Indonesian and Papua New Guinean sides of the two conflicts. Many Indonesian and PNG nationals have been directly affected by the conflicts, and most likely hold views about how the wealth derived from the three resource projects should be equitably shared. While the absence of these voices represents a gap in the data collected in this study, documenting the perspectives of local communities most directly affected by resource development have been consciously prioritised. As will become evident in the remainder of this thesis, local communities are often excluded from decision-making and it is their voices that are least likely to be heard. One of the aims of this research has been to begin to address this type of marginalisation. However, this is not to say that other perspectives are less valid and Chapter 13 will further explore some of the implications of this empirical limitation.

Phase 5: Local perspectives and expectations

The fifth phase of fieldwork focussed on the perspectives of indigenous Bougainvilleans and Papuans. The aim of this phase was to understand the extent to which the local communities believed the companies had engaged with their grievances, how this engagement was taking place, as well as the perceived consequences of not engaging. Again I used interviews to collect this data. The interviewees in this phase were

individuals and organisations with knowledge or experience of the case study companies' business activities, such as landowners, government officials, religious leaders, women's leaders and journalists. These interviews focused on the participants' experiences of the companies' current and past corporate community programs. The interviews also sought to document community perceptions of the underlying motivations of CSR practices as well as potential roles for the companies in contributing to peaceful development in the future.



Figure 4 - Bougainville copper mine 20 years after closure, May 2010. Photo: Kylie McKenna

The Bougainville fieldwork took place during April and May 2010. These interviews were conducted in three main areas: Buka (the provincial capital of Bougainville), Arawa (the old mining town of the Bougainville copper mine), and Panguna (the site of the Bougainville copper mine, see Figure 4). Mr James Tanis who held the office of

President of Bougainville at the time of the visit invited the researcher to the province. Support in identifying suitable research participants was also provided by members of the Autonomous Bougainville Government (ABG) and previous contacts established by colleagues working on the *Peacebuilding Compared* project.

Interviews were mainly conducted one-on-one in English. However, a small number of interviews were conducted in New Guinea Pidgin with the aid of an interpreter. The interpreter was a native born Bougainvillean with considerable interpreting experience. He was also knowledgeable about the political and personal sensitivities involved in interviewing Bougainvilleans about the mine and the conflict.

A key ethical consideration for both cases was that the participants might discuss traumatic experiences that occurred during the conflicts, and that this might adversely affect their wellbeing. To avoid this outcome, during interviews I did not ask questions directly related to personal experiences of the actual violence of the conflict. Rather, the questions focused on the participants' involvement, experiences, perceptions and expectations of the companies involved. The researcher was also mindful of the fine line between generating information that might contribute to justice and change, and adversely affecting the research site and the project's participants. With this in mind, it was important to allow a significant portion of the interviews to be shaped by the interests of the participant and the direction they wished to take the conversation. While I went in to interviews with a prepared set of questions, these were posed flexibly and pursued to varying degrees depending on the responses of participants.

One particular concern in the conduct of the Bougainville fieldwork was that participants might wrongly believe that because the researcher was a white Australian

asking questions about BCL (an Australian mining company), that she had some involvement in the company and that this might raise suspicions about plans for a possible resumption of mining (see Ch 12). To avoid any misunderstandings, as well as to meet the requirements of the project's ethics approval granted by the Australian National University, all interviewees were given an information sheet which described the aims and objectives of the research project, the contributions the study sought to make, as well as the tertiary affiliation of the researcher. The information sheet was written in English and translated verbally by the interpreter as required. To provide a sense of context for interviewees, the researcher also made clear her connections with relevant colleagues at the Australian National University who have conducted extensive fieldwork in Bougainville and with whom many respondents were familiar.

In Bougainville, former employees of BCL were easy to find by speaking to civil servants and NGO workers in Buka, and then asking for suggestions with whom to talk to. Former employees of the mine were generally older people with a considerable depth of knowledge and a range of perspectives on the Bougainville conflict. In many instances, former employees of the mine now hold senior government positions within the ABG and are closely monitoring negotiations for a possible resumption of mining. Further, government officials from the ABG were easy to locate and access simply by walking through the small town of Buka and knocking on the doors of relevant government offices. Representatives of the ABG bureaucracy were usually on-hand and willing to be interviewed for my research. Issues relating to the potential re-opening of the Panguna mine are very topical in the lead up to the referendum on independence sometime between 2015-2010. Bougainvilleans are keen to share their views on the options available and there is no threat of persecution by the PNG

government for those who speak openly. This is very different in the Papua case where discussion of this kind is far more risky and anonymity was of utmost importance. This issue of sensitivity accounts for the fact that a greater proportion of government officials were interviewed in the Bougainville case, in contrast to the Papua case.

In Papua I was required to rely more heavily on interviews with NGO workers and journalists as they are afforded a greater (though by no means total) ability to speak independently than others, such as government officials who are more constrained by official views. While this does affect the material collected for the Papua case, the data collected remains a significant contribution due to the political and logistical challenges associated with foreign academics, journalists and NGO workers gaining access to the region. It also speaks to the reality of the sense of censorship that contributes to feelings of oppression in Papuan society and which feeds into contemporary independence movements.

In Bougainville the number of women's leaders that I was able to interview was also significantly greater than in Papua. In Bougainville the number of women's leaders that I was able to interview was also significantly greater than in Papua. This disparity speaks to the greater density and prominence of women's organisations in Bougainville who participated in peace negotiations and were key early movers in shaping the peace.

Fieldwork in Papua took place during June and July 2010. These interviews occurred in Jayapura (the Papua provincial capital) and Timika (the mining town of the Freeport mine). Interviews were mainly conducted in Indonesian through the use of two

different interpreters. Both interpreters were native-born Papuans with English language training from tertiary institutions. Both had experience in interpreting, and were conscious of the political and personal sensitivities relating to research on large corporations and conflict in Papua. As with the Bougainville fieldwork an information sheet was provided to participants and translated as required.

All participants in this research were offered complete anonymity unless they wanted to be quoted as the source of the information they provided. Generally, respondents requested that their information be kept confidential, with only a small number of respondents happy for their name to be attributed as the source. While respondents were generally enthusiastic to be involved, there were also anxieties amongst Papuans relating to the use of categories when aligning quotes with certain companies, particularly if they worked as consultants or were employees. To accommodate this confidentiality concern, while maximising the potential for the reader to establish conclusions and interpretations directly from the data (Karborg & Berteo, 2003, p.54), an indication of the types of people interviewed has been supplied in Tables 2 and 3. Yet where there is any even slight worry that reference to types of people (e.g. a “religious leader”) for both cases might compromise the informants confidentiality, only coded identification (e.g. BOU6, Papua17) will be used.

In Papua, an important additional source of information was consultants for Freeport and/or BP, as well as NGO groups working in collaboration with these companies. In some cases, NGOs become involved in the implementation of CSR practices through corporate-community partnerships or are invited to train company staff in areas related to CSR (for example, human rights education for company security staff).

Potential consultants and NGO worker interviewees were identified by talking to regional scholars at the Australian National University as well as by seeking the advice of NGOs and religious organisations in Papua and Jakarta. In some instances, consultants are named publicly in corporate documents, while in other cases these details are kept private by request and/or for security reasons.

Table 3 - Bougainville sources of data

Data source	Number of interviewees ¹⁰
Rio Tinto executive - Australia	1
BCL executive	2
Former BCL employee	8
ABG Division Chief Executive Officer (CEO)	3
Civil servant	3
Resident/landowner from a mining lease area	5
Landowner group chairman	2
Women’s leader	5
<i>Me’ekamui</i> Government member	1
Small scale miner	2
ABG advisor	4
Peacemaker	1
Ex-combatant	2
	Total = 39

¹⁰ In two cases there was more than one interviewee present for one interview, so the total number of interviews for the Bougainville case was 37.

An important limitation of the data collected for this study is that while in Papua the researcher did not visit local communities surrounding BP’s Tangguh LNG project. During her visit to Papua in June 2010, protests were taking place across both provinces. Based on local advice about the likelihood of the protests turning violent, a decision was made not to travel to the western province. The problem associated with the lack of data from locals surrounding the Tangguh project is that the thesis will present a less balanced and informed analysis of the situation in this particular area. While several Papuans with direct experience of this project were interviewed, the findings presented on the Tangguh project are not as substantial as they are for the BCL and Freeport cases. Nonetheless, this small data set and synthesis of secondary materials can be used as a basis for further research on the social and environmental impacts of Tangguh. Further, considering the dearth of contemporary primary data about Papuan perspectives on the Tangguh project, even the small amount of data presented in this thesis represents a worthwhile contribution to knowledge.

Table 4 - Papua sources of data

Data source	Number of interviewees ¹¹
BP executive - London	1
BP executive - Indonesia	6
Tangguh LNG shareholder company executive	1

¹¹ In one case there was more than one interviewee present for one interview, so the total number of interviews for the Papua case was 41.

Data source	Number of interviewees ¹¹
BP employees	3
Freeport Employees	4
Former Freeport employees	2
NGO Worker	14
Religious leader	6
Journalist	3
MRP (<i>Majelis Rakyat Papua</i> /Papuan People's Council) staff member	1
National Commission for Human Rights (<i>Komnas HAM</i>) staff member	1
<i>Tongoi</i> Papua (Freeport Union for indigenous workers) member	1
LEMASA (<i>Lembaga Musyawarah Adat Suku Amungme</i> /The Amungme Tribal Council) staff member	1
LEMASKO (<i>Lembaga Musyawarah Adat Suku Kamoro</i> /The Kamoro Tribal Council) staff member	1
LPMAC (<i>Lembaga Pengembangan Masyarakat Amungme dan Kamoro</i> / The Amungme and Kamoro Community Development Organisation) staff member	1
Women's leader	1
	Total = 47

Table 4 (continued) - Papua sources of data

Phase 6: Modeling and hypothesising: development of the Interdependent Engagement Framework.

Once the five main phases of data collection were complete, the data was organised by typing up all handwritten notes and attributing each interview a code. These notes were then read to get a general sense of the information and the views expressed. Some notes were also written in the margins to record initial thoughts, and theoretical

and methodological issues. With the characteristics of both the two conflicts and CSR documented, the grievances that the companies were engaging and/or disengaging with could be more clearly identified. The data showed that, generally speaking, the CSR practices and policies of the case study companies did not align with the grievances and root causes of the conflicts in Bougainville and Papua.

To refine and flesh out the draft framework developed in Phase 2 a coding process was undertaken. The data was organised into categories that were labelled according to what I have called the common sites of interdependence between local communities and corporations that emerged from the fieldwork data. Quotes from respondents were coded according to a number of key areas where a discrepancy was evident between local and corporate perspectives on how business activities intersect with the causes of armed conflict. Eight broad sites of interdependence were identified at this point, however in line with the commitment of this thesis to a reflexive methodological approach the categories were constantly reassessed and re-worked throughout the writing phase. As thinking about the data deepened, a vision for the potential of what might be achievable through the redesign of CSR became clearer. Using the existing literature on each of the identified categories as a point of triangulation several of the original categories were ultimately reformulated to better reflect current scholarship and practice. The terms listed below represent the final iteration of the sites of interdependence that are considered in the chapters that follow.

- Historical injustice,
- Denial of customary land rights,
- Regional inequality and contests over resource wealth,

- Cultural, political and economic marginalisation,
- Domestic security politics,
- Community disruption,
- Environmental damage, and
- Local reconciliation.

The eight sites of interdependence became the starting point from which the complex nature of corporate to local CSR relations was mapped. There are other categories that could be used to frame an analysis of the gap between what executives believe and the expectations of locals in relation to CSR (such as gender), however the eight identified here represent the most dominant themes that emerged from the data collected. The sites of interdependence became the spine for the structure of this thesis and for a new model for the design of CSR.

For each of the sites of interdependence the researcher mapped how CSR has traditionally operated in areas affected by conflict. A reconfiguration of CSR was then put forward to address the identified discrepancies between local and corporate concerns and priorities. Through this process a model was developed that provides an opportunity to plot multiple relationships on a continuum from CSR that is more likely to aggravate violent conflict to CSR that might facilitate the promotion of peace. In Chapter 13, this model is brought together into the Interdependent Engagement Framework (see Table 5).

The methodological aim of the Interdependent Engagement Framework is to identify (and potentially extend) areas of connection between companies and the local

communities, while also fleshing out some of the other actors and institutions, associated with resource projects, such as the State and the military. This links with the broader theoretical argument (developed in Chapter 3), that CSR is not a static relationship between a company and an abstract notion of society and reified responsibilities to it. Rather, CSR is a field that incorporates a diverse range of actors with their own interests and agendas.

Table 5 - Interdependent Engagement Framework - Summary

<p>CSR as it currently exists</p>	<p>Sites of Interdependence</p> <p>Historical Injustice</p> <p>Denial of Customary Land Rights</p> <p>Regional inequality and contests over resource wealth</p> <p>Cultural, political and economic marginalisation</p> <p>Human Rights Violations</p> <p>Community Disruption</p> <p>Environmental Damage</p> <p>Aspirations to Define the Future</p>	<p>CSR Reconfigured</p>
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The way in which each component of the Interdependent Engagement Framework was arrived at as an empirical destination is discussed in more detail in later chapters.

However, the Framework is foreshadowed now to provide a sense of its iterative design, informed by multi-site qualitative interviews and analysis of primary and secondary materials.

Conclusion

This chapter has outlined the six phases of data collection and fieldwork that structured this research. With data collected from numerous sources, locations and materials, the study can be described as taking a qualitative, comparative case study approach. While it is a study of just two cases, this limitation is mitigated by the long history of each case, in which different kinds of engagement and CSR are in play. Further, while only two locations are analysed, the practices of three major corporations are examined. This data is also supplemented and strengthened from data collected from more peripheral corporate players in the narrative, including executives from Rio Tinto.

In the following chapter, the existing literature related to the research questions is outlined. It then introduces the search for a theoretical framework through which CSR in Bougainville and Papua could be examined.

Chapter 3: The interface of CSR with Conflict and Peace Building

This chapter explores the existing literature connected to CSR in Bougainville and Papua, conflict and peace building. It begins with a discussion on the links between natural resources and violent conflict. Following this, the concept of CSR will be analysed, in particular its evolution over time as a measure to respond to the social and environmental impacts of business activity. The adoption of CSR as a tool deployed by natural resource companies is considered, before moving into a discussion of the new expectations that CSR be extended to encompass a role for business in peace building. In the course of this analysis, several limitations of both these ideas are identified. The chapter then outlines an alternative theoretical framework through which CSR in Bougainville and Papua will be examined in the remainder of this thesis.

Natural resources and conflict

Numerous studies have sought to demonstrate the links between natural resource development and violent conflict (Bannon & Collier, 2003; Collier & Hoeffler, 2005; Ross, 2001; Ross, 2003; Sachs & Warner, 2001). Much of the focus of this literature termed 'the resource curse' or the 'paradox of plenty', can be characterised by an emphasis on 'endogenous' factors such as poor economic growth, poverty, corruption,

state weakness, authoritarianism and repression, all of which increase the likelihood of armed conflict (Collier & Hoeffler, 2005; Ross, 2001; Ross 2003; Sachs & Warner, 2001). As limi (2006, p.4) argues, resource wealth “sows the seeds of discord and conflict among *domestic* stakeholders, such as politicians, developers, local tribes, and citizens (also known as tax payers)”. Resource revenue can be wasted when stakeholders are motivated by quick wins and revenues can be distributed inequitably among groups (limi, 2006, p.4-5).

An exception to this domestic focus however, is Franks (2007) analysis of resource appropriation in Chile and West Papua. Franks argues that the endogenous focus of the natural resource literature “leaves out many of the important aspects and actors surrounding RA [Resource Appropriation]” (2007, p.4-5). Franks suggests that the process of Resource Appropriation (which involves three key phases: domination; detachment and consumption) “is not simply achieved by the power of an army or type of economic instrument but through a broad array of socio-ecological techniques employed by a dominant group(s) that reshapes relationships of space and place, perception and experience, society and ecology” (2007, p.11). These techniques Franks argues, extend beyond “the internal factors of individual nation-states” (2007, p.14) such as ideologies of neoliberalism; trade liberalization; the expansion of corporate power and “the various foreign and economic policies pursued by nation-states” (2007, p.13). Franks maintains that these ‘exogenous’ factors characterise a broad shift away from nation state domination towards “more complex and less formal forms that have involved interstate and international institutions and actors” (2007, p.13). This form of domination he argues, illustrates the becoming of Empire described as “a multiform strategy of globalising power pursued at multiple sites” (2007. p.13).

It is also true that, evocative of modernization theory, the natural resource curse literature continues to prioritise the internal problems which restrict economic growth through natural resource development. The most prominent example of this is reflected in arguments that the presence of natural resources provides both an incentive for warring groups to compete and sell off the resource, as well as the financial means to purchase weapons (Collier & Hoeffler, 2005).

As Bannon and Collier (2003, p.3) argue, civil war is expensive and the tools of war have to be financed. In line with this argument, the authors claim that rebel movements can be characterised, in part, as business organisations. Without a source of finance, they “will wither away or be capable of only limited and low-level violence—more of an irritant than a serious threat to an established government” (Bannon & Collier, 2003, p.3-4). Another example of the thesis that resource conflict is motivated by financial gain will be discussed in Chapter 9. This chapter will show how ‘spoilers’ such as the state’s security forces can be seen to actually create conflict in order to demand higher protection payments from foreign firms operating major extractive projects.

While there is general consensus in the literature that these economic motives can and do contribute to conflict, there is less agreement as to how influential they are relative to other socio-cultural factors (Ballentine & Nitzchke, 2003, p.2), such as the influx of ‘economic migrants’ and disruptions to traditional ways of life (Hook & Ganguly, 2000, p.65). This has become known as the ‘greed vs. grievance’ debate, where the motivations of rebel movements are categorised as either ‘loot seeking’ or ‘justice seeking’ (Ballentine & Nitzchke, 2003, p.2). The data assembled for this thesis

suggest that the Bougainville and Papua conflicts can be characterised by a combination of both. Some individuals are motivated by greed, while others simply want an end to the social and environmental disruptions caused by large extractive projects. For still others, possibly most, the motivations of both greed and grievance merge in ways that are difficult to disentangle.

Despite the clear connections between resource wealth and armed conflict, Bannon and Collier point out that the natural resource curse should not be considered destined (Bannon & Collier, 2003, p.11). While diamonds were central to economic and social collapse in Sierra Leone, they were “critical to Botswana’s success in becoming the fastest-growing economy in the world and a middle income county” (Bannon & Collier, 2003, p.11). The Botswana case has led some analysts (Iimi, 2006, p.1) to argue the key to avoiding the resource curse is “good governance – specifically a strong public voice with accountability, high government effectiveness, good regulation, and powerful anticorruption polices...”. To some degree therefore, the resource curse can be considered to be a reflection of the political situation in which resource development occurs. Resources can result in social conflict and division but the case of Botswana also shows that they can be a resource to build relationships, through, for example, poverty reduction.

The resource curse literature provides useful insights into the structural problems associated with resource development across the globe. However, one limitation of this literature for the purposes of this study is the common tendency to focus on the ‘macro’ structural problems associated with a nation’s dependence on resource revenues. The danger of this approach is that more nuanced analyses of the roles that

large corporations play in exacerbating or prolonging violent conflict can be excluded. More critical studies of the resource curse hypothesis tend to take a micro approach and argue that the dynamics of resources affecting the conflict do not fit the standard posited dynamics of the resource curse hypothesis. Aspinall (2007, p.950), for example, argues that the separatist conflict in Aceh, Indonesia, was not determined by “any intrinsic qualities of natural resource extraction”. Rather, “the key factor was the presence of an appropriate identity based collective action frame” (Aspinall, 2007, p.950). The crux of Aspinall’s argument is that “what determines rebellion is not the presence of a natural resource industry and its material effects, but rather how it is interpreted by local actors” (2007, p.953). Aspinall concludes that:

...the Acehnese grievances about natural resource exploitation only arose and became politically consequential for violence as part of a wider discourse of deprivation that positioned the Acehnese as victims of the Indonesian state (2007,p.968).

Akin to Aspinall, Banks (2008, p.23) argues “what appear to be ‘resource’ conflicts in Papua New Guinea are actually better conceived as conflicts around identity and social relationships”. Rather than illustrative of the resource curse, Banks (2008, p.23) suggests that “the very different conceptualizations of natural resources in most Melanesian societies [see Ch 11]- as elements of the social world as much as any external environmental sphere – means that resources become a conduit for local social and political agendas and tensions to be expressed”. We will see throughout this thesis that both Aspinall and Banks’ arguments also have relevance for the Bougainville case, in which mining related grievances arose “in tandem with identity construction”

(Aspinall, 2007, p.968). We will also see this exemplified in the Papuan case where Freeport's mining operations have been the target of non-Amungme and non-Kamoro members of Papuan separatist movements as part of a broader struggle for *merdeka*¹².

Watts (2004) is another analyst who has focused on the local level to explain the connection between natural resources and conflict. Watts (2004) draws on the example of oil extraction in Nigeria to explore what he refers to as the impacts of 'oil capitalism' on 'governable spaces'. Defining governable space as "a specific configuration of territory, identity and rule", Watts argues that 'chieftainship', the space of 'indigeneity' and the 'nation' are three spaces associated with oil, conflict and violence. The major cause of this violence according to Watts is:

...the presence and activities of the oil companies...[that] constitute a challenge to customary forms of community authority, inter-ethnic relations, and local state institutions principally through the property and land disputes that are endangered, via forms of popular mobilization and agitation (Watts, 2004, p.54).

Watts' analysis is important as it draws out the social dimension of the political economy of oil by highlighting the changes that occur in relationships as a result of oil

¹² In Chapter 9, it will be shown how the targeting of Freeport's mining activities by Papuan separatists has resulted in the exacerbation of human rights violations by Indonesian security forces in the vicinity of the mine. This has resulted in a pathological circle of violence in which Indonesian security forces are accused of orchestrating acts of violence - who then blame this on the OPM to rationalise increased security payments from Freeport.

extraction. Chapter 7 will explain how the Watts analysis is also relevant to the social problems that emerge through the distribution of resource revenue and compensation.

Multinational corporations and conflict

Beyond the links between the presence of resource wealth and armed conflict, more specific links between the presence of multinational resource companies and the occurrence of conflict have also been identified. Interest in exploring these links has coincided with a perceived general shift in the dynamics of armed conflict since the end of the Cold War. This shift is characterised by a trend towards intrastate conflicts rather than interstate wars (Kaldor, 2007). Kaldor argues that previous conflicts predominantly occurred between states or actors aspiring to state power where the aim was the military capture of territory and battle between armed forces (Kaldor, 2007, p.5). The 'New Wars' in contrast, are considered to generally take place in the context of failing states:

...where borders become increasingly irrelevant. They are fought by networks of state and non-state actors, where out-and-out battles are rare and violence is directed mainly against civilians or symbols of order and they are characterized by a new type of political economy involving a combination of extremist politics and criminality (Kaldor, 2007, p.5).

The literature on the New Wars is important for this analysis as it illuminates the varied ways in which companies may contribute to armed conflict as a result of being caught up in the local political economy. The New Wars literature also opens up opportunities to explain for example, why some social groups consider companies to

be legitimate targets of violent attack for reasons that go beyond hostility related to the impact of their business activities (Ford & McKenna, 2008, p.2). These links have been categorised according to two broad scenarios; cases where corporations seem to be complicit in armed conflicts through for example, financing warring parties, and cases where corporations play more indirect roles in exacerbating civil wars through, for example, exploitative economic arrangements, environmental damage and an influx of economic migrants (Calvano, 2008; Hook & Ganguly, 2000; Patey, 2007). While much of the New Wars literature focuses on the indirect roles of business in exacerbating conflict (Calvano, 2008, p.794), there is no consensus as to what constitutes corporate 'complicity' in conflict (Sherman, 2001, p.2).

While the categorisation of corporate actors as either complicit or indirect contributors to conflict warrants analysis, there is a more pressing need to expand on the small empirical insights we have on the full range of interdependencies between business and the sources of conflict. A valuable contribution in this regard is Zandvliet's (2005, p.185) identification of four key relationships that result in a company's activities impacting on conflict dynamics, whether inadvertent or not. These are:

1. The relationship between corporations and the communities where operations take place (e.g. disputes may arise from environmental pollution or unequal distribution of resources);
2. Intergroup or 'intercommunal' conflicts in the area of operation (e.g. disputes may result from giving employment to 'outsiders');
3. Corporations can become the proxy targets for grievances held by local groups against the government (e.g. disputes over resource wealth); and
4. Tensions between the company and government authorities may diminish a

company's ability to operate.

All four of these key relationships are relevant to the cases of Bougainville and Papua and will be discussed in more detail in the remainder of this thesis.

Another important contribution to the literature on the relationship between resource companies and conflict is Laplante & Spears' (2008) analysis of community consent processes in the extractive sector. They put forward three main reasons why extractive industry projects are particularly vulnerable to community opposition. Firstly, resource development projects are long-term, usually with a lifespan of at least 20 years. Second, the projects are complex, involving a chain of investments, multiple contracts and numerous parties. Finally, they are also capital intensive, usually requiring investments of many millions of dollars. Laplante & Spears (2008, p.74-5) go on to identify a number of key triggers of conflict that are often associated with the presence of a resource project, including:

- the need for delineated land that lead to property disputes;
- the state's eviction of landowners;
- the size of the project relative to traditional projects;
- an influx of workers;
- temporary employment that disappears;
- unequal distribution of the costs and benefits of a resource project;
- deep environmental impacts that are sometimes irreversible;
- the facilitation of corruption;
- fear of human rights violations or the use of private security; and

- the support corporations provide to unpopular regimes.

This list is not exhaustive, but it does provide a good indication of the types of conflict flashpoints associated with resource development that this study will also identify in Bougainville and Papua.

There have been two schools of thought about the best way for companies to ethically work with the communities in which they operate. The first is a harm minimisation approach (Calvano, 2008; Hook & Ganguly, 2000; Laplante & Spears, 2008), which draws on existing frameworks of CSR. Harm minimisation approaches involve adapting business practice to reduce the potential for harm or likelihood of conflict. The other, more proactive approach take the idea of reducing harm an extra step, and involves an attempt to engage corporations in actively building conditions that are conducive to peace (Fort & Schipani, 2004; Gerson, 2001; Wenger & Mockli, 2003).

What is Corporate Social Responsibility?

‘CSR’ has become recognisable shorthand for the onus on business to consider the consequences of business activity on the societies and environments in which they operate. However, despite over 50 years of scholarship on CSR, there is no universally accepted definition. Moreover, CSR can incorporate a number of related terms such as community relations and community development, adding further ambiguity to defining this field¹³.

¹³ For a discussion of the differences between public relations (corporate reputation management),

Generally speaking, CSR manifests as voluntary commitments in the form of socio-economic development projects, employee volunteering, community-business partnerships, social and environmental impact assessments, and the adoption of discretionary codes of conduct (such as labour standards, human rights and environmental protection). Information on a company's CSR policies and programs can usually be found in designated reports published on websites, under various titles such as, a 'CSR report' or 'Sustainable Development report'. A more recent trend has been to document CSR policies and programs alongside a statement of the company's values (such as Freeport-McMoRan Copper & Gold's (2008) *Core values: Working toward sustainable development*).

The design and promotion of CSR has become an industry in its own right, with large for-profit and not-for profit sectors providing advice to corporations on issues ranging from social reporting and benchmarking strategies (Global Reporting Initiative, n.d.), to the establishment of partnerships between business and other social domains (such as health centres and development NGOs). This industry includes the employment of 'community development practitioners' within natural resource companies to facilitate community development at the local level (Kemp, 2009, p.198). There are good practice guides for the natural resource industry (e.g. Franks, Brereton, Moran, Spaker & Cohen, 2010; ICMM 2010); international awards for the most socially responsible and irresponsible companies (e.g. Corporate Responsibility Magazine's (2010) '100 best

community relations (building 'amicable' relationships) and community development (characterised as 'high-end participation') see Deanna Kemp's (2009, p.204-6) discussion on "community development as a distinct domain of practices in mining" drawing on the IAP2 (n.d.) public participation spectrum.

corporate citizens' and Greenpeace's (2012) 'public eye awards' television advertisements promoting social responsibility achievements (e.g. Westpac and Chevron in Australia); university professors of CSR (e.g. Prof. Dirk Matten (Crane & Matten, 2007; Matten, Crane & Chapple, 2003; Matten & Moon, 2008) and Prof. Frank Figge (Figge & Hahn, 2005; Figge & Hahn, 2004; Figge, Hahn, Schaltegger & Wagner 2002); academic journals (e.g. the CSR and Environmental Management journal); conferences (e.g. the International CSR conference); and research institutes of CSR (e.g. the CSR Research Centre at Beijing University and the Centre for Social Responsibility in Mining at the University of Queensland) which all feed into this industry. There are also numerous global initiatives that focus on minimising the negative social and environmental impacts of business activity, such as the UN Global Compact¹⁴ and the OECD Guidelines for Multinational Corporations¹⁵ as well resource guides for integrating gender considerations (see for example, Rio Tinto 2009) and cultural heritage management (see for example, Rio Tinto 2011) into the community work of resource companies

Approaches to CSR: from the 'profit motive' to the interrelationship between business and society

Attempts to address the negative impacts of business on society are not a new

¹⁴ "The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption" (UN Global Compact, n.d).

¹⁵ "The OECD Guidelines for Multinational Enterprises are far reaching recommendations for responsible business conduct" (OECD, 2011), that encompass recommendations on: disclosure; human rights; employment and industrial relations; environment; bribery; consumer interests; science and technology; competition; and taxation.

phenomenon. Some analysts (Cheney, Roper & May, 2007, p.4) trace the origins of such initiatives back to the late 1870s when corporate activities were beginning to be identified as having detrimental impacts on society. Corporate responses to these concerns have a similarly long history. For example, during what is known as the 'progressive' era in the United States (from 1900-1920) industrialists were believed to have "found themselves in the awkward position of advocating a system of factory labour that, by many critics standards, was proving to be a detriment to society" (Cheney, Roper & May, 2007, p.4). In response, corporations began implementing employee welfare programs designed to "curb growing dismay over the negative impact of industrialization on community and family life" (Cheney, Roper & May, 2007, p.4).

Despite these early forays into social responsibility, the core expectation of business remained to maximise profits for shareholders (Carroll, 1991, p.39). It was not until the 1970s that this view changed dramatically. At this time the establishment of a new generation of regulatory agencies in the United States (US) (e.g. the Environmental Protection Agency and Occupational Health and Safety Agency) began to identify not just shareholders, but also the environment, employees and consumers as company 'stakeholders' (Carroll, 1991, p.39). In this way, from the 1970s onwards, expectations of the responsibilities of business widened.

The broadening of expectations on corporate CSR activities triggered a vast, interdisciplinary literature analysing and attempting to define the scope of these newly identified responsibilities. Garriga and Mele (2004, p.65) categorise this literature into four dominant approaches that corporations should either:

1. meet objectives that produce long-term profits;
2. use business power in a responsible way;
3. integrate social demands into core business activities;
4. contribute to a good society by doing what is ethically correct.

The responsibility of business to produce long-term profits is most evident in Friedman's (1970) influential claim that "political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources" (Friedman, 1970, p.122). While most accounts of CSR today recognise corporate responsibilities beyond the profit motive, there remains a persistent view that the social activities of business are only a means to achieve economic results (Garriga & Mele, 2004, p.51). This view has led to emergence of a number of studies that seek to demonstrate an empirical correlation between social responsibility and financial performance (e.g. Margolis, Elfenbein & Walsh, 2007). The results of these studies are then employed by lobby groups to encourage corporations to adopt CSR, by appealing to their financial 'bottom line' (Porter & Kramer, 2006).

The second dominant approach to CSR identified by Garriga & Mele (2004) is reflected in Davis's (1960) claim that the "social responsibilities of businessmen need to be commensurate with their social power" (Davis, 1960, p.71). Davis argued that corporations should demonstrate a concern for their impacts on society and the environment due to the political and financial influence they wield on important decisions relating to issues such as environmental management and employment conditions. The responsible use of corporate power continues to be a theme in more recent literature, particularly in debates concerning the erosion of state authority in an

era of globalisation (Hall & Biersteker, 2002), as well as the power relationships between corporations and communities in developing countries (Garvey & Newell, 2005).

Aside from the profit and power arguments, other approaches to CSR emphasise social demands and ethical responsibilities (Garriga & Mele, 2004, p.51). A prominent example is Carroll's (1991) 'pyramid of Corporate Social Responsibility' which outlines four key components that should be incorporated into conceptualisations of CSR: economic responsibility (be profitable), legal responsibility (obey the law), ethical responsibility (do what is right/fair, avoid harm) and philanthropic responsibility (be a good corporate citizen). Importantly, Carroll also outlines what he considers the ideal business orientation towards local communities as one which "management sees community goals and company goals as mutually interdependent" (Carroll, 1991, p.47).

Fifteen years following the publication of Carroll's pyramid of CSR, Porter and Kramer (2006) entered the CSR debate. Although the connections are not made explicit in this paper, there are clear links between the earlier work of Carroll and the ideas of Porter and Kramer. Specifically, Porter and Kramer expand the idea that businesses should work towards the development of mutually beneficial practices for business and society. The authors argue that there are two important limitations to current approaches to CSR:

1. they pit business against society, when clearly the two are interdependent; and
2. they pressure companies to think of CSR in generic ways instead of in the way

most appropriate to each firm's strategy (Porter & Kramer, 2006, p.1).

To overcome these limitations Porter and Kramer suggest, "we must root it in a broad understanding of the interrelationship between a corporation and society while at the same time anchoring it in the strategies of specific companies" (Porter & Kramer, 2006, p.5). In practice, the authors do not expect that corporations would take on *every* social issue, but rather choose a few that "represent opportunities to make a real difference to society or to confer a competitive advantage" (2006, p.13). The logic being that the closer the social issue is to the company's core business interests, the more likely it will be effective in addressing it.

Carroll (1991) and Porter and Kramer's (2006) interest in exploring the interrelationship between business and society is the approach to CSR taken in this thesis. Community grievances relating to resource development in zones of conflict often feed into, and exacerbate, deep sources of injustice beyond the company's core business activities. As such, Porter and Kramer's interest in exploring the possibilities that can emerge through engaging with the interdependencies of business and society is adopted in this study. However, there is an important point of difference between the focus of this study and that of Porter and Kramer. This project does not share Porter and Kramer's emphasis on the development of 'strategic CSR' based on a company's core business activities. The Interdependent Engagement analysis presented in this thesis takes a much broader, less inward looking approach. A broader approach to the design of CSR aims to reflect the multifarious complexity of the social and environmental impacts of large natural resource companies in areas affected by conflict. Moreover, in the chapters that follow, the full range of grievances associated

with business activity, and not just those relating to corporate strategy will be analysed.

CSR in relation to conflict and peace

One consequence of the increasing globalisation of markets and trade is that foreign corporations have unprecedented opportunities to expand internationally. This has resulted in an increasing number of foreign firms operating in areas affected by conflict (Andersson, Evers, Sjostedt, 2011, p.10). However the translation of Western CSR practices into non-Western locations has been problematic, generally not functioning to reduce conflict between resource companies and local communities in the same way that might be anticipated in a Western context. The CSR role played by mining corporations in non-Western contexts such as Melanesia is therefore of utmost importance given the widespread adoption of this discourse globally. Examining CSR in PNG for example, Imbun (2007, p.179) argues that “in the PNG mining industry, there appears to be a lot of activities undertaken by MNMCs [multinational mining companies] that pertain to the needs and aspirations of the ‘significant other’ or the local community”. Imbun argues that cases such as the Bougainville copper mine are crucial to this analysis as the case has stimulated mining companies in PNG to embrace “a more ‘human face’ in dealing with local communities” (2007, p.179).

Laplante & Spears (2008, p.69) ask a similar question to that being posed in this thesis:

...why is it that, many of the large extractive industry companies having taken up the mantra of CSR in recent years, conflicts between such companies and their communities are multiplying as never before?

The reason they suggest, is that CSR only addresses a narrow range of 'headline grabbing' issues such as corporate complicity in human rights violations by security forces, rather than disputes over community control of resources and the right to control the direction of their lives (Laplante & Spears, 2008, p.69). Laplante and Spears suggested solution to making CSR more effective lies in corporate engagement in "consent processes with communities and groups directly affected by projects with a view to obtaining their free prior and informed consent" (Laplante & Spears, 2008, p. 69).

Obtaining community consent for resource projects is difficult, complex and a long-term process. Communities rarely speak with one voice (Calvano, 2008, p.794), and attitudes towards resource extraction are likely to change as the social and environmental impacts become more visible. In addition, as Kapelus (2002, p.290-1) argues, because corporations who wield the power to define what constitutes 'the community', corporate executives decide who can represent the community and what consent for a project will entail. As will be discussed in Chapter 7, corporate understandings of what constitutes 'the community' also have a significant impact on how the scope of CSR obligations is defined. In some cases the parameters are limited to villages directly affected by the resource project, while in others, corporate definitions of 'the community' are broadened to encompass a sub-district or an entire region.

Beyond ensuring consent, Calvano (2008, p.801-2) argues that there are three other avenues for companies to limit the potential for business activity to contribute to conflict:

1. increase the connection between multinational corporations and the development goals of poverty relief and sustainability;
2. shift to a perspective where local communities in poor countries are viewed as potential consumers with tremendous buying power; and
3. develop recognition among corporate executives that being responsive to local communities makes good business sense.

This view is also shared by Sherman (2001, p.12) who argues that:

...normative appeals may not be enough to ensure sustained improvement; measures intended to shift corporate behaviour towards peace will also need to engage corporate self-interest.

While the costs of conflict for corporations are significant (including safety risks to employees, expenditure on security, destruction of property, and even loss of ability to operate) (Laplante & Spears, 2008; Rettberg, 2007), peace can also present costs for business. For example, new taxation may be imposed to support post-conflict reconstruction efforts (Rettberg, 2007, p.465). This places limits on the value of appealing solely to the profit motive of firms as a means of encouraging engagement in peace building.

A more intricate analysis of the actions that corporations might take to minimise their risks of contributing to conflict is provided by Hook & Ganguly (2000). Drawing on a comparative study of three natural resource companies operating in situations of ethnic conflict, the authors provide four recommendations:

1. avoid distributing compensation through host governments and make payments directly to landowning groups;

2. minimise environmental harm;
3. develop preferential employment policies favouring local people; and
4. try to avoid significantly altering the way of life of local ethnic groups.

In addition to point three, Franks (2012, p.4) rightly cautions that the social impacts of resource development are dynamic and that the key benefits associated with resource development can lead to new challenges:

...For example, new employment opportunities often considered a key benefit of projects may in fact lead to social challenges if the specialist skills required by the industry are not available locally or take time to develop through vocational training programs¹⁶.

An important addition to point four is also that altering the current way of life of local ethnic groups can dismiss their desire for development¹⁷, or at least the positive impacts associated with it such as, local business development; royalties and taxes; road and infrastructure upgrades and development of human capital (Franks, Brereton, Moran, Sarker & Cohen, 2010, p.3).

Of the literature analysed in this chapter, Hook & Ganguly's recommendations come closest to the themes that will be developed herein. The reason for this, most likely, rests in the similarity of case studies (both include an analysis of BCL in Bougainville and Freeport in Papua), as well as the adoption of the comparative method. This thesis aims to build on Hook and Ganguly's recommendations by developing them into a new

¹⁶ This will be discussed in more detail in Chapter 10.

¹⁷ I am grateful to an anonymous examiner for highlighting this.

model for the design of CSR in areas affected by conflict

The limitations of existing approaches to CSR

There have been as many critics of CSR as there have been proponents. Critiques range from a focus on the limitations of the market in the delivery of public goods (Doane, 2005) to the incapacity of transnational corporations to become fully responsible and accountable citizens (Palacios, 2004). While these two ends of the spectrum focus on the 'corporate' component of CSR, there has been much less engagement with the 'social' element of this field of business practices (Banerjee, 2006, p.73) or what Franks, Brereton, Moran, Sarker and Cohen (2010, p.1) refer to as "the interaction of mining impacts with other past, current and future activities that may or may not be related to mining". This has resulted in little analysis of the transferability of CSR practices to non-Western industrialised societies, or any associated harmful or unintended consequences.

One case where there has been some consideration of the social consequences of CSR is the literature on Shell's CSR initiatives in the Niger Delta. The main concern raised in these studies is that Shell's adoption of CSR has resulted in the "de-politicization" of the NGO sector via incorporation into the CSR framework (Zalik, 2004, p.404). Related to broader arguments regarding the "marketization of civil society" (Lodge & Wilson, 2006, p.61), analysts (Calvano, 2008; Blowfield & Frynas, 2005) suggest that local communities are increasingly sceptical of NGOs due to their perceived entanglement with the interests of funders, who are sometimes corporations with vested profit motives. This can compromise the local legitimacy of NGOs and their ability to

meaningfully represent the interests of the communities they were initially established to serve. Other concerns relate to Shell directing the path for socio-economic development in the region with little or no contribution from the Nigerian government (Ite, 2004; Mass, 2005); the implementation of inappropriate or incomplete socio-economic projects (Christian Aid, Friends of the Earth, Platform & Stakeholder Democracy Network, 2004; Mass, 2005); and the exacerbation of existing conflicts in the region (Christian Aid, Friends of the Earth, Platform & Stakeholder Democracy Network, 2004; Mass, 2005).

As touched on earlier a common explanation for why there are so many pitfalls associated with CSR, is the fact that it is generally corporations who define the terms of partnering with communities (Akpan, 2006, p.233). The development of CSR policies based on the interests of business (Banerjee, 2008, p.52), is believed to have resulted in the implementation of inappropriate community development projects, which further entrench the negative perceptions held by local communities of large corporations. As Calvano (2008, p.796) argues;

...the issues usually associated with CSR may not be the highest priorities in particular regions of the world. Thus, local communities may view MNCs [multinational corporations] as unresponsive to their particular needs even though firms have ambitious CSR programs.

Local communities are often treated as passive recipients of better or worse CSR (McKenna & Braithwaite, 2012, p.334). However, by questioning the use of the 'social' in CSR and the justice claims it is designed to redress, a more complex explanation becomes evident.

The search for an alternative theoretical framework

The limits of CSR as it is usually implemented include a narrow understanding of the ‘social’ and a disproportionate focus on distributive justice. In the following section, the ideas of Bruno Latour on ‘the social’ and Nancy Fraser on justice are introduced. The ideas of both theorists are used in this thesis to develop a deeper understanding and analysis of the strengths and weaknesses of traditional CSR¹⁸, as well as to model new and more effective ways of ‘doing’ CSR.

Latour’s (2005) *Reassembling the social* has been instrumental in the development of the arguments presented in this thesis. His theory of the social posits, “it cannot be construed as a kind of material or domain” (Latour, 2005, p.1). Latour’s analysis of the ‘social’ calls into question what he considers the default position of sociology that draws on terms such as ‘society’, ‘social order’, and ‘social practice’ to distinguish it from other domains such as, economics, geography, biology, psychology, law, science and politics (Latour, 2005, p.3). However Latour argues that there is “no distinct

¹⁸ The terms ‘traditional CSR’ and ‘current CSR discourse’ will be used throughout this thesis to refer to the dominant modes of CSR that are currently favoured by most international resource extracting companies – in particular those operating in the relevant case study sites. The types of CSR that I will refer to as ‘traditional’ are characterised by a focus on the distribution of material benefits rather than on two-way engagement with the justice concerns of affected communities. This is not to presume that there are not notable exceptions. For example, Kemp (2009, p.204-6) has identified differences between public relations, community relations and community development approaches across a spectrum of engagement. What I intend to demonstrate through the course of this thesis is that the level of genuine engagement in CSR practices is determined, to a large degree by a sidelining, or misunderstanding of the ‘social’ in the term CSR. While the focus is on three specific case studies in two countries, the international corporations involved are significant players in the resource extraction industry and operate across numerous other locations worldwide. This indicates that the limits of the CSR models employed in Bougainville and Papua are to some degree indicative of global approaches to CSR.

domain of reality to which the label 'social' or 'society' could be attributed" (2005: 4). Latour's aim is thus to redefine sociology not as the 'science of the social', but as the tracing of associations (Latour, 2005, p.1).

Latour's understanding of the 'social' as a "very peculiar movement of re-association and reassembling" (Latour, 2005, p.6) enables a more holistic and complex account of CSR. This is because Latour argues for an analysis of the 'social' itself, rather than rely on a variety of other concepts such as 'globalisation' and 'power' to explain isolated dynamics. This thesis seeks to take a Latourian approach by problematizing the concept of 'the social' within CSR. While not dismissing the importance of other paradigms, these are only able to provide partial critiques of the interaction between the field of CSR and the context in which it is implemented. This can result in the sidelining of other important factors, which may play a role in the outcome of CSR policies and programs. This might include for example, the historical circumstances that led to the development of an extractive project or the recognition of customary land tenure systems by the host state.

Questioning the use of the 'social' also enables a conceptualisation of CSR as interdependent with the political, economic, legal and cultural context in which it is implemented. When 'the social' is rendered problematic, rather than taken for granted in the analysis of CSR, one can begin to see how the field is both contributor to, and participant in, a specific social context. From this perspective, 'CSR' cannot operate somewhere above 'society' in order to then contribute to 'it'. Reframing CSR with reference to Latour's concept of the social, CSR can no longer be understood – as it currently is – as engaging in a static relationship with some abstract notion of society.

Rather, CSR is a field that is deeply embedded in a diverse range of actors and institutions with their own histories, interests and agendas. This includes, for example, national governments that set the rules of corporate-community engagement and are ultimately responsible for regulating the behavior of corporations, and the national military, which might become involved through the provision of security. Moreover, the 'corporate' in CSR also reifies the complex network, relationships and peoples that fall under the label of the 'corporation'. 'It' includes for example, shareholders, investors, subsidiaries, 'community development practitioners' (Kemp, 2010) and 'corporate strategists' (Shoenberger, 1994). Other associations that will be explored in this thesis include landowner or tribal groups who are involved in the distribution of CSR funds and act as representatives of communities most affected by resource development and different ethnic groups who migrate to resource producing regions in search of economic opportunities. Such 'associations' and the relationships between them are explored in the Interdependent Engagement Framework.

Another theoretical insight that has informed the analysis of CSR in this study questions the focus of CSR in terms of the justice claims it aims to target. Fraser (1997) illuminates the importance of this question by distinguishing two types of justice claims analytically: *redistribution* claims that focus on "socioeconomic injustice, which is rooted in the political-economic structure of society", and *recognition* claims that focus on cultural or symbolic injustice, "rooted in social patterns of representation, interpretation, and communication" (Fraser, 1997, p. 70-1). Fraser acknowledges that in practice, the two are intertwined. However, she argues that the distinction is useful in order to question the "sorts of mutual interferences [that] can arise when both kinds of claims are made simultaneously" (Fraser, 1997, p.74). The core of Fraser's argument

is that:

...recognition claims often take the form of calling attention to, if not performatively creating, the putative specificity of some group, and then of affirming the value of that specificity. Thus they tend to promote group differentiation. Redistribution claims, in contrast, often call for abolishing economic arrangements that underpin group specificity. (An example would be feminist demands to abolish the gender division of labour). Thus they tend to promote group de-differentiation. The upshot is that the politics of recognition and the politics of redistribution appear to have mutually contradictory aims (Fraser, 1997, p.74).

The purpose of drawing on Fraser's analytical distinction between recognition and redistribution here is not to highlight the contradictory nature of these claims when they are made simultaneously, but to illustrate the type of justice claims that CSR has been designed to redress. The argument which will be put forward is that CSR has primarily been structured according to a distributive justice framework through the delivery of material resources to communities affected by an extractive project (for example, the allocation of money through a landowner trust fund¹⁹, or the provision of funding for new infrastructure or services). While material resources are far from inconsequential, armed conflicts are often also characterised by claims for recognition and redistribution, and the most effective remedy might be a wise balance between

¹⁹ For a detailed analysis of mining sector foundations, trusts and funds and differences in the way they are structured and evolved over time, see World Bank (2010).

the two. Throughout the remainder of this thesis, it will be argued that for corporations to resolve local grievances related to resource development in conflict areas, they need to consider ways to expand the distributive paradigm to also include cultural or symbolic recognition. A framework for what this type of engagement might look like is then outlined in Chapter 13.

Potential roles for business in peace building

Aside from the traditional approaches to CSR which focus on minimising the negative impacts of resource development on conflict affected societies, there is an emerging interest in exploring the potential role for the private sector in peace building. A theme that emerges in this literature is the tension between whether such contributions should occur through proactive engagement or emerge organically as indirect positive outcomes of increased economic development.

Regarding the 'indirect' roles that corporations can play in peace building, Fort and Schipani (2004, p.11) argue that corporations are engines that produce jobs, and with them the economic and social benefits that follow from employed individuals. They identify three connections linking business and peace building:

- standard ethical business practices may reduce bloodshed
- legal rules undergirding corporate governance may be reconsidered to include peace as a governance *telos*; and
- business could become a more important dimension of foreign policy

Through these links, Fort and Schipani identify four specific contributions business can make to peace, “fostering economic development, exercising track two diplomacy²⁰, adopting external evaluation principles, and nourishing a sense of community” (2004, p.4). Such contributions, they argue, can contribute to the development of a more harmonious environment.

Similarly, Gerson (2001, p.103) argues that business has an important role to play in peace building as “conflict settlement requires the injection of hope born of employment and economic opportunity” and “only the private sector can provide this over the long term”. The heart of Gerson’s argument is that jobs and economic opportunity offer hope to the ‘seemingly disinherited’, with new incentives to maintain stability and break the cycle of violence (2001, p.109). In addition to the benefits of employment and economic opportunity, Gerson (2001, p.107) claims that the characteristics of business logic can be useful in any conflict management process, through “the provision of managerial know-how and expertise to enable all the actors in the field – the World Bank, the UN, and civil society- to operate in a more streamlined and synergistic fashion”.

Wenger & Mockli (2003, p.8) share Gerson’s outlook that there are two key avenues through which business can engage in peace building. Corporations can “pursue core business activities such as trade and foreign direct investment, with a specific conflict

²⁰ Gawerc (2006, p.443) defines track two diplomacy as “bringing together scholars, senior journalists, opinion leaders, former government officials, or other politically influential individuals from conflicting parties to work together with the intention of clarifying long-standing disagreements, exploring different possibilities for resolving them, and gaining insight into the ways in which a collaborative process between the two could be promoted”.

prevention perspective; or they can transfer know-how with regard to private sector development especially to local communities” (2003, p.8).

Other analysts suggest that business is already playing a direct role in peace building through pre-existing commitments to CSR. As Sherman (2001, p.3) argues “more than is commonly recognized, some private sector actors have undertaken policies that seek to promote human rights and environmental health and to mitigate or avoid conflict in host communities”. One limitation of Sherman’s analysis is the lack of supporting examples. This makes it difficult to ascertain how he distinguishes CSR from proactive efforts towards the mitigation or avoidance of conflict.

A report published by the Collaborative Engagement Project (2003) analyses the potential role for corporations in peace building from the corporate perspective. This report suggests that corporations do consider peace building a part of their CSR, but are unlikely to call it ‘peace building’ as this is viewed as too political a term. Further, there is a belief that corporations do not have the expertise or capacity to adopt a proactive role. This claim supports the preliminary finding of this study outlined in Chapter 2, that corporate executives do not see a role for corporations in the promotion of peace building. However, there may be opportunities for peace building activities to occur through existing CSR frameworks, as opposed to the generation of new policies and programs under the moniker ‘peace building’. The Collaborative Engagement Project (2003, p.4) issued the following recommendations for future research:

- gather further empirical insight into how business activities and conflict interact;

- document best practices on a local level;
- develop stronger links between policy and practice; and
- incorporate conflict impact assessments into feasibility studies

A key strength of the Collaborative Engagement Project report is that it includes an analysis of the perspectives of corporate executives, rather than the more one-sided approaches discussed earlier in the chapter which tend to make one of two polarising assumptions; either that business activity will always have a negative impact on zones of conflict, or that it will be inherently beneficial. By including the perspectives of corporations, the Collaborative Engagement Project allows for a more nuanced analysis of the roles of specific cases of corporate activity in areas affected by conflict. This way of thinking has a greater potential to result in the development of practical strategies to assist corporations to avoid harm and to possibly contribute to positive change. Moreover, the problem with a significant proportion of the business and peace building literature is that it is not based on an in-depth account of the links between business and conflict. As such, analysts promote avenues for business in peace building without a detailed understanding of the specific roles that corporations play in the dynamics of armed conflict, and how they might amend their business practices in order to counter these effects.

Conclusion

This chapter opened with a discussion of the strong links that have been identified in a broad range of literature between natural resource wealth and armed conflict. This was followed by a consideration of the concept of CSR and what, if any, responsibility

corporations should shoulder for mitigating the impacts of the 'resource curse'. As part of this analysis a number of different approaches to CSR were outlined, as well as some important limitations to the design of CSR policies and programs for implementation in areas affected by conflict. To overcome these limitations the theoretical ideas of Latour and Fraser were introduced. The ideas of these two theorists are brought together to develop a two-pronged approach to considering how CSR might contribute to peace in areas affected by conflict.

The first element of the theoretical approach of this thesis involves an emphasis on developing the capacity to think of CSR as interdependent with the social, political, legal, economic and cultural context in which it is implemented. This allows for a more nuanced understanding of the specific business policies, practices and relationships that may contribute to conflict. Conversely, by transforming these business practices, policies and relationships, corporations have a clearer pathway to create conditions conducive to peace rather than conflict. The second guiding theoretical principle draws on the work of Fraser who distinguishes between the types of justice claims being made and the remedies put forward to respond to these claims. In making this distinction Fraser enables an understanding of existing CSR frameworks as relying on a distributive paradigm, despite the fact that (as the next Chapter explores) corporations are enmeshed in a wide range of injustices, some of which can be characterised as claims for cultural or symbolic recognition.

In combining the ideas of social interdependence with the full range of justice claims of local communities in CSR practices, this study seeks to overcome some of the limitations identified in both existing CSR practice and the business and peace building

literature. By reframing CSR in terms of interdependence throughout the rest of this thesis, a way in which CSR might be reconfigured to incorporate some of the goals of peace building will be shown. The first step in this journey begins in the following chapter in which the core justice claims at the heart of the Bougainville and Papua conflicts are set out.

Chapter 4: Conflict in Bougainville and Papua

This chapter introduces the eight crucial sites of interdependence I have identified between the resource development companies and the grievances at the heart of the two conflicts in Bougainville and Papua. Using these sites as a frame of reference, this chapter outlines the actors, institutions and important events involved in the Bougainville and Papua conflicts. The aim is to show how the justice issues at the heart of the two conflicts incorporate claims for both recognition and redistribution. The significance of the eight sites of interdependence for each of the case study locations will then be discussed in more detail in the remaining chapters of the thesis.

Bougainville

Historical injustice

The Bougainville conflict cannot be understood in isolation from the island's colonial history. This early history laid the foundations for Bougainville's eventual political incorporation into Papua New Guinea, which can be seen as an ethnically and culturally distinct nation-state. Bougainville was first colonised by Germany in 1884 in an effort to spread German presence in the Pacific east from PNG and into the northern part of the Solomon Islands group. At the same time as this was occurring, Britain was extending its colonial footprint into the southern end of the Solomons. Eventually, in

1899 Germany and Britain came to an agreement to divide the Solomons between them. Germany maintained control of the islands of Buka and Bougainville, while the rest of the Solomons were recognised as British Territory. This division led to Bougainville's separation from the Solomon Islands, despite the existence of strong geographic, cultural and trade ties between the two. At the start of World War I, Germany's control of Bougainville was disrupted by the arrival of an Australian expeditionary force (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.10). Formal control of Bougainville was then granted to Australia by the League of Nations in 1921.

Australia administered Bougainville as a part of the Trust Territory of New Guinea until PNG's independence in 1975 (Sirivi & Havini, 2004, p.xvi). During this period, Bougainvillean leaders debated whether to allow their lands to be 'returned' to the Solomon Islands or if they should lobby for secession (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.12). However the Australian Administration did not countenance either of these options, maintaining that Bougainville was politically a part of PNG and should remain so. The fact that early explorations for alluvial gold in the 1930s indicated the presence of rich natural resources on the Island was further motivation for Australia to maintain control of Bougainville (Sirivi & Havini, 2004, p.xvi). When rich deposits of copper ore were later discovered at Panguna in central Bougainville in the 1960s, Australia was eager to find a way of using these resources to finance its withdrawal as administrators of PNG.

The Australian Government's interest in supporting the emergence of an independent PNG through Bougainville's resources exacerbated the deep resentment that many Bougainvilleans already felt toward the Administration. This resentment was

attributable to a lack of respect for Bougainville's traditions and customs, as well as the permanent alienation of land for plantations through processes and terms little understood by the Bougainvillean 'sellers' (Regan, 2003, p.136). Moreover, the early experience of Australian control of Bougainvillean land was not positive, and was compounded by the fact that Bougainvilleans had minimal control over their political future. Early calls for a referendum on independence were rejected by both the UN, and later, by the newly independent state of PNG.

BCL enters the conflict

BCL became deeply caught up in the processes leading to Bougainville's political incorporation into PNG. This was due to the timing of BCL's entry, the Australian origin of the firm and the fact that it entered into a legal agreement with the Australian Government via the Territory of New Guinea, rather than with indigenous landowners. As a result, many Bougainvilleans perceived BCL as symbolic of Australian colonialism, and more specifically, as the providers of the financial capacity that cemented their entrapment in an unwanted political relationship with PNG.

BCL, a subsidiary of Cozinc Rio Tinto Australia (CRA), entered Bougainville in 1964, following geological confirmation of copper mineralisation in the Panguna/Kupei area (BCL, 2010-11). CRA held the majority ownership with 53 per cent. 28 per cent was floated on the Australian Stock Exchange and 19 per cent was bought by the Australian Government for the future independent State of PNG (Dorney, 2000, p.42). A large number of shares were also reserved for purchase by Bougainvilleans; however it is unclear how many actually benefited (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.12).

The first major agreement between BCL and the Territory of New Guinea was reached and enacted by the Territory's House of Assembly in 1967 (Denoon, 2000, p.1). The 1967 Agreement committed the Australian Government and BCL to "terms concerning taxation, royalties, environmental management, employment and infrastructure" (Denoon, 2000, p.3). Australian civil servants and lawyers for CRA negotiated the agreement without the consultation of local Bougainvillean landowners (Ogan, 2004, p.5). The lack of Bougainvillean involvement in the 1967 Agreement was reflected in the profit shares of the minerals produced, with only 5 per cent of the Government's royalty of 1.25 per cent to be distributed amongst landowners (Ogan, 2004, p.5).

Denoon (2000, p.3) argues that Australia's direction of the 1967 Agreement indicates that it, rather than BCL, was responsible for the events that unfolded on Bougainville. A former CEO of BCL, Paul Quodling claims that the Administration was facing an enormous dilemma, "whether to mine (accepting the attendant conflict with cultural standards) or not to mine (accepting the loss of economic benefit to independent PNG" (Quodling, 1991, p.1). How much weight this dilemma actually held in the Australian Government's decision-making process is open to speculation. However the eventual decision to pursue mining operations in the way that they did, suggests that, for the Australian Government, building an economic foundation to facilitate formal withdraw from PNG, took precedence over any concerns about Bougainvillean customary land rights.

The denial of customary land ownership

The land on which the copper mine in Bougainville was constructed belongs to the Nasioi language group²¹, many of whom were forced to relocate (Ogan, 2004). “When villagers refused to sell, the government expropriated their land and flew in riot police to clear the way for surveyors” (Denoon, 2000, p.3). According to a former BCL Chairman Don Vernon, the company’s management also had difficulties understanding the complexities of Nasioi land ownership²². This was because it was not “immediately obvious that the Nasioi derived rights to land through matrilineal inheritance, especially as these rights appeared to be exercised by men” (Vernon, 2005, p.260). This misconception was passed on to BCL by the Australian patrol officers who had only dealt with men when they compiled lists of land titleholders in the 1960s²³ (Dorney, 2000, p.40).

The key issue regarding land ownership, however, was not that BCL failed to understand the complexities of customary land tenure but that the state possessed the power to override these systems and take control of natural resources. This was because the Australian mining laws that regulated the construction of the mine

²¹ For a more detailed description of the Nasioi before and after the development of the mine, see Ogan, E. (2004). ‘The Bougainville Conflict: Perspectives From Nasioi’, *State Society and Governance in Melanesia Discussion Paper*, 99: 3, Research School of Pacific and Asian Studies, ANU.

²² However, Regan argues that land usage was not necessarily related to ‘ownership’. “There were aspects of the relatively egalitarian (in material terms) traditional cultures in Bougainville that probably increased the tensions inevitably involved in the economic inequalities arising from participation in the modern economy” (Regan, 1998, p.271).

²³ One way the company sought to deal with the complexities of land ownership was to sponsor research programs under the auspices of the University of Hawai’i and the Development Studies Centre at the Australian National University (Vernon, 2005, p.260).

stipulated that the ownership of precious metals was vested in the state for the benefit of the nation as a whole. As a result the wealth generated through the mine could be used to finance the development of other areas of PNG and not just the land, or region from which they derived.

Because the state wielded the power to control Bougainville's natural resources, and the capacity to legislate, BCL primarily negotiated the terms of access to land with the Australian Government, rather than the individual or group of landowners. This arrangement bypassed the traditional Bougainvillean land tenure system, which made no distinction between surface and sub-surface rights, or allowance for those who did not share a cultural relationship to a tract of land to draw benefits from it. In this way, Bougainvilleans came to perceive BCL as entering into a legal agreement with an institution that did not have the legitimacy to control the land.

Regional inequality & contests over resource wealth

The sense of injustice felt by Bougainvilleans about the Australian/PNG decision-making power over their land was exacerbated by the inequitable distribution of mining revenue in favour of PNG over Bougainville. While BCL made compensation payments to Bougainvilleans during the exploration phase of the mine's development, these were quite small, and a coherent plan to safeguard the economic rights of locals was absent from the 1967 Agreement.

Following the advocacy of Bougainville's House of Assembly member, Paul Lapun, the Australian Administration agreed to give landowners 5 per cent of the 1.25 per cent royalties it received from the mine plus an occupation fee of \$6.50 per acre of land

(\$16.25 per hectare) (Quodling, 1991, p.48). This did not add up to a significant sum for landowners, little more than 6 cents per AUD\$100 of the value of minerals taken from their land (Ogan, 2004, p.5).

Lapun was criticised by some landowners who believed his advocacy resulted in a poor compensation deal for Bougainvilleans. Other Bougainvilleans, who were against the development of the mine altogether, questioned Lapun's mandate to negotiate the agreement at all. For some of these people, no amount of money would have been considered sufficient to agree to mining. The 1967 Agreement signalled to many Bougainvillean landowners that they would be required to suffer the social and environmental costs of a mining project to fund the development of a nation to which they felt no sense of belonging, and from whom they enjoyed minimal protection.

Production of the mine began in 1972, just prior to the election of the Australian Labor Party (ALP) that supported independence for PNG. The early production period of the mine was characterised by increasing demands for secession on Bougainville. The passion and intensity of these demands were beginning to be recognised by the new leader of PNG, Michael Somare. One of Somare's strategies to counter secession demands was to renegotiate the Government's share of the mine's earnings (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.13). The new distribution of shares was a key aspect of what came to be known as the 1974 Agreement. Under this Agreement, the revenue sharing framework consisted of 60 per cent national government, 35 per cent shareholders, 5 per cent North Solomon's Provincial Government and 0.2 per cent landowners.

The 1974 Agreement gave the forthcoming independent state of PNG full control over

the distribution of resources. In that same year, Somare established an Interim Provincial Government on Bougainville (the North Solomons Provincial Government) that was granted responsibility for passing on most of the royalties of the mine to the province (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.13).

Cultural, political and economic marginalisation

In spite of providing the provincial government a share of the royalties in 1974, material benefits did not flow to villages outside of the direct mine area until 1980, following BCL's initiation of a new compensation package. An executive committee that included several members of the PLA governed the package (Thompson, 1991, p.82). The PLA was established in the 1970s and comprised of a group of elder landowners who lobbied the Government and the company collectively over a broad range of concerns.

Rather than resolving the issues, the distribution of material resources created new tensions among Bougainvilleans. The most significant dispute was between the older generation of landowners (who were involved in the distribution of resources through the Road Mining Lease Trust Fund), and a younger generation of landowners who believed the PLA board members were siphoning off funds for their own benefit.

The younger generation of landowners formed their own association dubbed, the New Panguna Landowners Association (NPLA). The NPLA was distinguished by its younger membership and its "organised nature, the sophisticated use of arms and explosives, and its persistence" (Wesley-Smith, 1991, p.188-9). Francis Ona, a former employee of BCL eventually took over as head of the NPLA then rallied supporters to loot and

destroy BCL property in 1988, and to subsequently demand an unsustainable 10 billion kina for environmental damage plus a 50 per cent share of the mine revenue (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.19). When denied these demands, Ona called for the mine to be closed and further attacks were made on BCL property. The inter-generational dispute over access to BCL's resources thus became an initial spark for conflict around the mine site.

The divisions and conflict between landowner groups further aggravated the communication problems that marked the interactions between BCL, the national government and landowners. The intersections of resource development with pre-existing cultural, political and economic marginalisation also constrained efforts by BCL to build effective stakeholder consultation and an effective partnership with Bougainvilleans.

Human rights violations

The most damaging attack on BCL property occurred in 1988 when an electricity pylon at the mine site was blown up on orders from Francis Ona, who had formed the Bougainville Revolutionary Army (BRA). Following these attacks and a number of other violent incidents, the PNG Government sent in Police riot squads to regain control and to restore mining activities. In the context of existing tensions between Bougainville and PNG, this action resulted in immediate claims of police brutality, and violence began to escalate. The BRA retaliated with further attacks on Government property to which the Government responded in June 1989 by inserting the Papua Guinea Defence force (PNGDF) and declaring a state of emergency on Bougainville (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.24).

The entry of the PNG military and subsequent allegations of human rights abuses led to a significant increase in the level of local support for the activities of the BRA. Some estimate the group had up to 300 armed and active members in 1990 “and undoubtedly enjoyed the assistance of many more” (Wesley-Smith, 1991, p.189). However BRA forces were often undisciplined and many Bougainvilleans experienced violent victimisation at the hands of members. Others opposed the BRA because they resented the withdrawal of government services available to Bougainvilleans that followed the BRA’s attacks on government property. These Bougainvilleans formed what became known as the Bougainville Resistance Forces (BRF) in the early 1990s, which overtly pitted Bougainvilleans against Bougainvilleans, adding new complexities and dimensions to the conflict.

Community disruption

Once production began, it was the influx of ‘outsiders’ from other parts of PNG, which became a pervasive issue relating to PNG’s governance of Bougainville. At least, this was the main source of hostility for Bougainvilleans not directly affected by the mine. In contrast, the displaced Nasioi held a quite different set of grievances, primarily associated with their loss of land, environmental degradation, and of the standard of housing provided by BCL (Regan, 1998, p.276).

It is estimated that more than 10,000 (mostly) men were employed by BCL at the peak of construction (Howley, 2002, p.29), with the following estimates concerning the

cultural ratio of the workforce²⁴:

- 241 Nasioi,
- 3861 expatriates,
- 6328 employees from other areas of PNG (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.13)

However the main source of tension was not the high proportion of non-Bougainvilleans employed at the mine, but rather the activities of PNG 'redskin'²⁵, migrants who remained on Bougainville regardless of whether they held employment at the mine. Thus, while the 'redskins' did indeed take thousands of jobs at the mine (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.20), of equal concern to the Bougainvilleans were the unemployed 'squatters' who established bush camps on the outskirts of the mine or gained employment on plantations or in other small businesses. As a Bougainvillean ABG Department CEO stated:

....an influx of people came. Over time people's attitudes changed because they brought social problems. They started creating problems and gave rise to conflicts. They were settling on people's land. [They] acted against our way of living. People took advantage of the situation. Not BCL workers but the people who came for attraction. BCL employees were not the problem, [it was] the

²⁴ Regan (1998, p.275) further adds that there were approximately 200 business enterprises in Bougainville dependent on BCL which employed about 4000 people of whom about 50 per cent were Bougainvillean.

²⁵ The term 'redskin' is used by Bougainvilleans to refer to the lighter skin colour of Papua New Guineans.

people in the bush camps (BOU11, ABG Department CEO).

Bougainvilleans resented the 'redskin' migrant's lack of respect of Bougainvillean customs, who for example, established gardens and camps on customary land without the prior approval of landowners. The migrants not employed by the mine were also blamed for an increase in a variety of community safety issues including rape, assault, prostitution, '*raskolism*', and alcohol abuse (Connell, 1990, p.51).

New social problems also manifested through what Colin Filer refers to as the, "economic stratification of the landowning community" (Filer, 1990, p.116). Newly acquired wealth distorted the traditional social structures of village life because of the wealth it generated for young 'playboys' that could not be matched by the elder village leaders²⁶ (Howley, 2002, p29). As a consequence, Howley (2002, p.30) claims that the young people began to discover a new socialisation process where they increasingly focussed on imitating peers rather than aspiring to the cultural values of the elders in the community. The greatest impact of these changes was on the status of women in the community who had previously made significant contributions to social control (Regan, 1998, p.275).

Environmental damage

Due to the enormous scale of the mine and the environmental damage caused by BCL's tailings disposal system, the Nasioi were not the only landowning group to be affected by the development of the mine. According to Regan (2006, p.6), "BCL's mining-related

²⁶ For more detailed examples of class conflict and economic inequality see (Regan, 1998, p. 274).

leases cut across the middle of Bougainville, about 50 km from east coast to west coast. They covered 13,047 hectares, about 1.5 per cent of Bougainville...". Consequently, the mine affected a significant proportion of the population, and created enormous landowner resentment for removing 1.215 billion tonnes of their land and turning 99.4 per cent of it into waste (Dorney, 2000, p.40).

While the original 1967 Agreement between the Australian Administration and BCL restricted the dumping of tailings waste, this regulation was eventually reversed to allow tailings to be disposed of in the Kawerong-Jaba river system. This is believed to have caused chemical pollution of the river, killing off fish stocks, an important source of protein for local villagers. The development of the mine and its supporting infrastructure also led to the permanent alienation of agricultural land and traditional food sources. For a population dependent upon agriculture, the loss of this land represented a significant threat to the future survival of Bougainvilleans and their traditions.

Aspirations to define the future

In 2012, Bougainville is formally recognised as an autonomous region of PNG, and has experienced over fifteen years of peace building activity. The primary focus of these peace building initiatives has been to open spaces of dialogue between Bougainvillean and PNG leaders, as well as reconciliation between combatants of the BRA and the BRF. Although the peace process has generally been viewed as successful (Turner, 2007, p.93), it was based on the assumption that the mine would never re-open. BCL and the future of the mine was not a crucial aspect of the peace agreements.

From 2007 onwards, support for the possibility of reopening mine began to build among the Bougainville political elite. Renewed interest in mining is attributable to a requirement in the 2001 Bougainville Peace Agreement that a referendum on Bougainville's independence from PNG be held sometime between 2015 and 2020. Many Bougainvilleans believe that independence will not be economically viable without a substantial source of revenue (Momis & Garrett, 2012). Thus, the long-held desire among a significant proportion of Bougainvilleans for political independence from PNG continues to frame the mining debate on the Island. This time around, potential mining revenue is viewed as a means to support Bougainvillean independence from PNG, rather than PNG's independence from Australia.

As will be discussed in Chapter 12, my fieldwork indicates that the current favoured option amongst Bougainvilleans is for a resumption of mining, with BCL the preferred operating company. This thesis therefore, can be seen to capture a pivotal moment in Bougainville's history as the population considers a possible future as an independent nation, and the role that mining might play in such a future.

Papua

Historical injustice

Similar to Bougainville, conflict in Papua can be traced to its historical incorporation into a nation state with which the population does not hold strong loyalties or connections. Indonesia is comprised of an extraordinarily broad range of cultures and language groups. The process of unification has not been without contest or difficulty, both from the perspective of the peoples incorporated, and the Government with the

challenge of administering such a vast geographic and ethnically diverse area. Papuans are located in one of the largest geographic regions of Indonesia (22 per cent of the total land mass) at the very periphery of the archipelago. These factors, combined with strong cultural connections to the peoples of the eastern half of the island of New Guinea (who enjoy political independence), has meant that for Papuans, the discomfort associated with 'Indonesianisation' has been particularly acute.

Papua became the site of an imperial struggle between colonial powers (British, Germans and the Dutch) in the eighteenth and nineteenth centuries. As early as 1824 the British agreed that the region would form part of the Dutch East Indies, however the first successful European settlement occurred some 30 years later with a German missionary settlement on an island near Manokwari. It wasn't until 1898 that the Dutch established a permanent settlement in Manokwari and Fak Fak. The Dutch were temporarily displaced in 1942 when the Japanese occupied the northern coast of West New Guinea as part of its World War II campaign. Following the conclusion of the war in 1945, the region was returned to Dutch control. However at the same time, Indonesian nationalists made claims for all of the Dutch East Indies to form part of the Republic of Indonesia. Following a four-year conflict, the Netherlands officially recognised Indonesian sovereignty over the Dutch East Indies, with the exception of Papua.

Conflict in Papua can be seen to have begun as an international conflict between two states; a dispute between Indonesia and the Netherlands about historical claims over territory (Heidbuchel, 2007, p.36). When the UN recognised Indonesia as a sovereign state in 1950, the territory did not include the western half of New Guinea, which

remained under Dutch control (Heidbuchel, 2007, p.38).

Over the next few decades, local aspirations for independence gathered momentum, with the support of the Dutch who continued to challenge Indonesia's territorial claims. After several failed negotiations between the Sukarno government and the Netherlands, an agreement was signed in 1962 in New York to transfer the sovereignty of Western New Guinea from the Netherlands to Indonesia. Under the terms of the New York Agreement, "Indonesia was obliged to hold a plebiscite on Papua's future, an "Act of Free Choice", within six years of the transfer of power to Jakarta in 1963" (Wing & King, 2005, p.1).

According to Singh (2008, p.96-7), "as a means of increasing the chance of winning the 1969 Referendum, the Indonesian government... went out on a political mission to 'Indonesianize' the people of West Irian²⁷" and Papuan elites who were considered to be pro-Netherlands and pro-Papua came under pressure from the Indonesian security forces. In contrast to Dutch policy on education and economic development, which encouraged Papuans to think of themselves as culturally distinct from the rest of the Indonesian archipelago (Chauvel, 2006, p.181), Suharto's New Order attempted to reformulate the Indonesian nation as a 'cultural polity', replacing competition and conflict with harmony at the expense of diversity (Chauvel, 2006, p.181). As a result of these conflicting ideologies, Papuans increasingly came to perceive Indonesia as their new colonisers (Singh, 2008, p.97).

²⁷ A previous name for West Papua province.

The Act of Free Choice took place in 1969 through a series of regional consultations that were widely believed to be stage managed by Indonesian intelligence officials (McGibbon, 2006, p.12). The Indonesian Government chose 1,026 voters of a population of 815,906 who voted unanimously for integration into Indonesia, a somewhat implausible result made possible by the repressive security environment surrounding the 'free choice' (McGibbon, 2006, p.12, Wing & King, 2005, p.1). Although the UN has subsequently been criticised for going along with the charade of a 'free choice' for Papuans (McGibbon, 2006, p.13), Indonesian sovereignty over Papua was henceforth recognised by the international community.

Following the Act of Free Choice, Papua was declared a Military Operation Zone in which freedom of movement was severely restricted and regulated (Wing & King, 2005, p.1). During Suharto's New Order "expressions of cultural identity, such as songs sung in local languages, were considered a manifestation of a separatist movement and were punishable by torture and even death" (Wing & King, 2005, p.1). Despite the devastating effects of Indonesia's security driven approach to Papua, it is believed to have been counterproductive, in that it served to strengthen a separate Papuan identity and cement the desire for independence (Chauvel & Bhakti, 2004, p.1-2).

One manifestation of this has been the small and poorly armed guerrilla group called the OPM. The OPM's primary goal is nothing short of full political independence for Papua (Singh, 2008, p.127), and although it has never threatened Indonesian control of the province, the movement has played an important symbolic role in representing a 'Papuan identity' and associated political aspirations (Chauvel, 2006, p.181). The OPM launched its first operations against Indonesian forces in 1965. The Indonesian

Government's retaliation to these operations extended until 1969. An estimated 30,000 Papuans were killed by the Indonesian military during this period (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.61).

Papuan resistance to Indonesia has continued via a largely peaceful independence campaign (International Crisis Group (ICG), 2002, p.i). Despite incredible cultural heterogeneity on the Papuan side, the demand for *merdeka* (freedom or liberation) has become almost universal among indigenous people of the region (ICG, 2002). Repression of Papuan aspirations for *merdeka* is believed to be somewhat less intense than in the 1960s, with torture rather than murder "the dominant means of terrorising the people of Papua into submission" (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.63). Periodic raisings of the morning star flag, first hoisted in the 1960s as a symbol of Papuan independence, remain "the most persistent provocations to which the military has responded with violence" (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.63).

Freeport enters the conflict

By the time the Act of Free Choice was held in 1967, Indonesian leadership had shifted from Sukarno to Suharto. "The new President focused on rebuilding the economy, left in tatters by Sukarno, by putting a group of prominent US trained economists in control of economic policy" (McGibbon, 2006, p.11-2). Whereas Sukarno's economic approach was inward looking and dominated by state enterprises, the New Order aimed to open the Indonesian economy to foreign aid and investment (Robertson-Snape, 1999, p.593).

Corruption was endemic in the Indonesian economy under both administrations (Robertson-Snape, 1999, p.592). Indeed, under Suharto Indonesia held the, “dubious distinction of being perceived as the most corrupt nation in Asia...” (Leith, 2003, p.33). The Indonesian brand of crony capitalist corruption had crucial implications for the economic development of Papua, for which the administration received considerable support from the World Bank. As Leith (2003, p.33) claims:

...one of the greatest services the World Bank did for the Suharto regime was to routinely “soften” or “sanitize” its influential country reports on Indonesia (including statistics with regard to the alleviation of poverty), which Jakarta and its Western allies could then use as a first line of defense against the regime’s critics (Leith, 2003, p.34).

Such tactics promoted Indonesia to international financial markets without demanding accountability for human rights violations or the squandering of natural resources (Leith, 2003, p.34). Suharto’s Indonesia thus provided a short-term environment of incredible freedom for natural resource companies to develop operations in Papua with little regulation. Environmental legislation was sidestepped, civil society silenced and companies shielded from societal demands (Leith, 2003, p.257).

The first international company to take advantage of the liberal environment created by the Suharto regime was ‘Freeport Sulphur’. The company entered Papua after signing a Contract of Work²⁸, the first of its kind, with the Indonesian government in

²⁸ “Put simply, a contract of work falls somewhere between the older colonial “concession”

1967. However, according to Franks (2007, p.261-2), declassified records reveal that Freeport did in fact begin construction prior to the official transfer of Papua to Indonesia in collaboration with the Indonesian military, and that this “involved the murder and torture of Papuan opponents of the mine, including Amungme and Kamoro indigenous landowners...”. The 1967 contract gave Freeport the ‘official’ mining rights for thirty years within a 250, 000 acre concession area of a mine site at Ertsberg. The Agreement stipulated that Freeport would be free from land rents and included a three year ‘tax holiday’ with no Indonesian equity requirement. Furthermore, the contract contained “few controls over the use of foreign personnel and goods” (Leith, 2003, p.61). In this way, the contract essentially designated Freeport as a contractor employed by the Suharto regime (Ballard, 2001, p.12), and granted the company rights to take over land and impose resettlement of the Amungme and Kamoro (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.71).

The denial of customary land rights

The contracts signed between Freeport and the Indonesian Government were based on the 1945 Indonesian Constitution, which stipulates that mineral resources are the property of the state (Smith & Ng, 2002, p.102). Thus, similar to Bougainville, the state held the power to control the natural resources discovered on Papua, and to override customary ownership and the spiritual significance of the land.

arrangements, in which the foreign contractor gets full ownership of the minerals and even the land, and production sharing, in which the host country immediately gets title to all equipment and improvements, and after a short period owns the entire operation” (Mealey, 1996, p.83).

The site of Freeport's mining area is home to two indigenous communities, the Amungme and Kamoro²⁹. When the company began to establish campsites in the area, the immediate response of the Amungme was to set up "crosses of wood that traditionally indicated that trespass beyond the point indicated was not permitted by the owner of the land" (Ballard, 2001, p.24). However the 1967 contract did not require Freeport to obtain the consent of the Amungme and Kamoro to proceed with the development of the mine. Rather, the Indonesian Government explicitly bestowed upon the company rights to acquire land and re-settle the indigenous population with no obligatory compensation or consultation procedures (Smith and Ng, 2002, p.102).

In Chapter 11 we will see that the permanent alienation of this landscape by Freeport has not only disrupted traditional land cultivation practices, but has desecrated a site of spiritual significance for the Amungme. This has intensified Papuan objections relating to the undermining of indigenous customs under Indonesian rule, and the lack of local control over land.

BP enters the conflict

The denial of customary land rights has also been the source of criticisms by the Soway, Wayuri and Simuna relating to the development of BP's Tangguh LNG project in the Bintuni Bay area of West Papua province. The acquisition of the land required for the

²⁹ For a detailed account of how the Kamoro have adapted to major political and economic change brought about through a history of interaction with "outsiders" see Harple (2002). For an analysis of representations of Papuan socio-cultural change and dominant stereotypes of 'Papuan' identities see Cookson (2008).

development of this project has implicated BP in the complex relationship between Papua and Indonesia.

The Indonesian Government approved the Tangguh LNG project in 2005 through a production-sharing contract with Indonesia's regulatory body for oil and gas, (BPMIGAS). Financed by several international banks, the facility "involves the tapping of six fields to extract combined proven reserves of around 14.4 trillion cubic feet of clean gas" (BP p.l.c, 2012b).

Prior to BP's involvement in West Papua, the Atlantic Richfield Company (ARCO) and British Gas conducted exploration activities in the area. Following their discovery of significant natural gas reserves, a consultation and negotiation process took place between ARCO and BPMIGAS for the acquisition of a 3,200-ha plot for the LNG site, and a 200-ha plot for the resettlement of the Tanah Merah community who occupied the area (BP Berau Limited, 2006,p.xxi).

As will be discussed in further detail in Chapter 6, local landowners now contest the fairness of the consent processes under which the land was acquired in 1999 to develop the Tangguh project (JATAM 2003, Down to Earth, 2005, p.6). Three landowning clans previously held the traditional land rights to the LNG site: the Wayuri, Soway and Simuna (BP Berau Limited, 2006, p.xxxvi).

Regional inequality & contests over resource wealth

Papua's natural resources have been controlled by the state, with income derived from these projects disproportionately favouring the central government (actually the Suharto family), with minimal returns flowing to the two provinces. This is evident in

Papua's consistent ranking as the poorest region of Indonesia³⁰ (World Bank, 2005, p.8). In this way, similar to Bougainville, Papuans can be seen to have suffered the social and environmental impacts of resource development, while simultaneously missing out on a corresponding surge of financial benefits in their region. We will see in Chapter 7 that in 2001 the Indonesian Government took action to provide Papuans with a more equitable share of resource revenue through the implementation of Papuan Special Autonomy Law No. 21. However, the 'handing back' of Special Autonomy by Papuan leaders in 2010 has created significant uncertainty as to the future of this improved revenue sharing formula.

Cultural, political and economic marginalisation

The low financial returns to the Papuan provinces, combined with high rates of poverty and pre-existing tensions between tribal groups has also led to conflict over the community resources delivered by the two companies. The ICG (2002, p.20), for example, claims that since the mid 1990s one of the biggest problems facing Freeport has been inadequate stakeholder communication procedures, and uninformed distributions of money associated with its decision to provide one per cent of annual gross revenue to local landowners (Leith, 2003, p.105).

Based on the experiences of Freeport, BP has attempted to avoid the sudden insertion of large amounts of money into the local economy; however tensions have also emerged between groups over access to BP resources. Conflict emerged as a result of

³⁰ According to the World Bank (2005, p.8), in 2003, 38 per cent of Papua's population lived in poverty, more than double the national average of 17 per cent.

BP's allocation of housing, health and infrastructure to villages affected by the development of the LNG plant on the south shore of the Bintuni Bay area. This distribution failed to take into account the fact that the gas extracted by BP is partly drawn from a reservoir under the north shore. Communities from the north shore have since lobbied BP for a share of profits associated with the project.

Human rights violations

By stipulating that Freeport "provide for and meet the logistic needs of government officials" (Ballard, 2001, p.28), the company's 1967 Contract of Work with Suharto's regime led to the presence of large numbers of troops around the mine site. As the mine is considered to be a 'vital national asset', Freeport has been required by the central government to use the Indonesian security forces and police as a source of project security. Since the 1990s, the company has come under intense international scrutiny for human rights violations committed by the Indonesian security forces in the vicinity of the mine (Ballard & Banks, 2007).

International scrutiny of Freeport's operations increased following a riot, which took place in Freeport's Contract of Work area in 1996 that left three people dead, and led to the temporary closure of the mine. In response, Freeport funded an increase in Indonesian troop numbers and is believed to have paid a onetime fee of US\$35 million to the Indonesian military as well as an annual contribution of \$11 million (Blair & Phillips, 2003, p.63-4). The military has accused local Papuans of instigating these 'riots' and several shooting incidents in the vicinity of the mine over the last decade. However they are widely believed to have been orchestrated by the Indonesian military themselves as a means of capturing and guaranteeing into the future, additional

financial benefits from Freeport (Perlez & Bonner, 2005).

In contrast to the approach of Freeport, which has been criticised by outside observers, BP has been commended for its Integrated Community Based Security (ICBS) arrangements in West Papua. Recognising the tensions associated with the presence of the Indonesian military in Papua, BP's community strategy aims to reduce the presence of Indonesian security forces around the Tangguh facility, drawing instead on local civilians. BP has also been commended for conducting the first human rights impact assessment to ever be conducted for a natural resource project in Indonesia, and for the provision of human rights training by NGOs for its security personnel. Chapter 9 will explain that although BP's community based security has been well received in Papua, there remain significant fears amongst indigenous Papuans concerning the use of Indonesian security forces if something like a riot or sabotage were to occur in the vicinity of the Tangguh project. Future security risks associated with the Tangguh project are also dependent on BP's success in avoiding the sudden influx of money and the creation of a relationship of welfare/dependency with villages directly affected by the project.

Community disruption

Similar to Bougainvillean experiences of resource extraction, the Freeport and Tangguh projects have led to a number of significant new social problems surrounding the mining and gas facilities. As discussed earlier, some of these problems are attributable to the community development contributions made by Freeport and BP to the two provinces. Freeport's One Per Cent Trust Fund, for example, is believed to have created a welfare/dependency mentality amongst the local community (Abrash, 2001),

and a number of social problems related to substance abuse such as an increase in HIV/AIDS. The main criticism that emerged in interviews relating to Freeport's implementation of the One Per Cent Trust Fund is that the funds have been distributed without any corresponding education and capacity building of the local community. However, education is a long-term process and it is not clear that community leaders would prefer funds to be held back paternalistically until the beneficiaries are educated. Nonetheless, this is a dominant concern and criticism of Freeport, often expressed by Papuan religious leaders.

Similarly again to Bougainville, Freeport and BP's presence in Papua and West Papua has led to a dramatic increase in economic migrants from other parts of the nation state. This has exacerbated a deep concern amongst Papuans that they are becoming a minority on their own land, damaging hopes for independence and increasing fears about the diminishment of indigenous cultures and traditions. The increasing numbers of migrants from other parts of Indonesia has also resulted in significant competition for access to local economic opportunities, and the capture of community development resources distributed to local villages by Freeport and BP.

Environmental damage

Freeport's mining activities in Papua have taken place in the context of weak environmental regulation, a fact that has further fuelled Papuan complaints that the Indonesian Government has plundered their land in the pursuit of national economic development. No environmental impact assessments were undertaken prior to the development of Ertsberg as this was not a widespread practice in the mining industry in the 1960s. Adding to this, the Suharto Government has been accused of deliberately

breaching the existing (albeit weak) Indonesian environmental laws to assist Freeport. The primary concern centres on the environmental damage caused by the company's disposal of tailings waste into the Ajkwa River. The impact of this method of disposal on both the immediate vicinity of the mine and the downstream environment has triggered a number of international protests against the company. These include a lawsuit filed against Freeport in the US under the Alien Tort Claims Act (Beanal vs. Freeport)³¹; the withdrawal of Freeport's US\$100 million political risk insurance by the Overseas Private Insurance Corporation in the US; and the divestment of the Norway government's pension fund.

In contrast to Freeport, BP was required to undertake an environmental impact assessment prior to the construction of the Tangguh project. However the assessment process has been disputed by a number of Indonesian environmental NGOs for failure to consult landowners from the Bintuni Bay area. Further, the 2000-2002 environmental impact assessment occurred several years after the project had already been approved by the Indonesian government, through the transfer of land in 1999.

Aspirations to define the future

Since the fall of the Suharto regime there have been numerous attempts to decentralise government administrative functions and cede more decision-making authority to regional governments. On 21 November 2001 for example, President Megawati Sukarnoputri enacted a Bill on the subject of 'The Special Autonomy for the

³¹ See utwatch.org (n.d.).

Province of Papua'. The key components of The Special Autonomy Law with regard to the protection of Papuan indigenous peoples are: the acknowledgement that indigenous Papuans are Melanesians and that substantial mistakes have been made by the state in the past; the establishment of the Papua People's Assembly (MRP); recognition and protection of the rights of the customary community, and the restriction of transmigration (Sumule, 2002, p.13-6). However implementation of Special Autonomy was slow and incomplete. In 2010 the law was symbolically 'handed back' by Papuan leaders, in part because of the view that the Special Autonomy Law primarily benefits Indonesians and a handful of corrupt Papuan politicians (see timmer, 2007, p.469-470). With this in mind, reconciliation processes in Papua can be considered to be at a much earlier stage than those on Bougainville.

The initial stages of reconciliation have focused on relationships between Papuans and the Indonesian Government, Papuans and the Indonesian military, and Papuans caught on different sides of the conflict. The Indonesian Government has been widely criticised in Papua for its lack of political will to engage in 'dialogue' with Papuan leaders. There is also a growing recognition amongst Papuan leaders that to open more meaningful dialogue with the Indonesian Government about improving conditions for Papuans they need to build local consensus, and move away from an insistence on political independence in the first instance. As such, the primary focus amongst Papuans in 2012 has been to develop a collective vision for the future of Papua.

Chapter 12 explains that significant progress has been made towards achieving a consensus on Papuan aspirations for the future through the Papua Peace Conference held in Jayapura on 5th-7th July 2011. At this conference, delegates developed a list of

44 'Indicators of Papua, Land of Peace'. These indicators encompass issues directly related to the future of natural resource development in Papua, which offer Freeport and BP an important opportunity to contribute to a locally meaningful vision of the resolution of the Papua conflict.

Conclusion

This chapter has introduced the background to the Bougainville and Papua conflicts, particularly highlighting the involvement of BCL, Freeport and BP. In this analysis, eight crucial sites of interdependence are identified as common to both conflicts. Consideration of these eight sites of interdependence reveals that that the companies have been connected to a variety of justice claims that extend beyond claims for a greater distribution of material benefits. In particular, these justice claims have had particular implications for the way in which locals perceive the companies as complicit in their political entrapment with PNG and Indonesia respectively.

In the following chapters, the eight sites of interdependence are explored in greater detail, at the same time providing some texture as to how this eight-level framework was formulated from the data of the Papua and Bougainville experience. This narrative begins with an analysis of the colonial logic that drove the beginnings of natural resource exploitation in Bougainville and Papua. In doing so, it will be revealed how BCL and Freeport in particular, have denied the social aspects of their projects in different ways, and the implications this has had on the effectiveness of their CSR programs.

The Interdependent Engagement Framework will allow us to address the suppression

of the social as a general problem of business projects that are seen variously by business leaders in my interviews as 'technical', 'environmental', 'engineering' or 'commercial' projects. As Latour (2005, p.2) argues, "the social seems to be diluted everywhere and yet nowhere in particular". In this vision of CSR social aspects are often conceived of a kind of icing that is not interdependently connected to the cake. Let us begin this journey then by first seeing the social as inevitably historical and for colonised peoples, profoundly colonial in their consciousness.

Chapter 5: Colonial Legacies

Site of interdependence	Disengaged (CSR as it mostly is)	Engaged (CSR reconfigured)
Historical injustice	Corporations side-step their entanglement with colonisation and decolonisation	Corporations acknowledge local colonial legacies and the company's involvement in them

This chapter examines in depth the first identified site of interdependence, historical injustice, as a key conflict flashpoint associated with resource development. In the literature relating to resources and conflict in Bougainville and Papua, the starting point is often the historical chain of events leading up to the contemporary conflict scenarios. Historical approaches have been usefully adopted to describe the geographic, social, cultural, economic and environmental contexts of Bougainville and Papua. They are also employed to elucidate the conditions, which have shaped specific local complaints about the manner in which resource exploitation has occurred. These analyses of the past however, have not always been extended to include, or been integrated into, contemporary debates on the conduct of CSR in conflict-prone areas, or of CSR more broadly. Rather, the entanglement of resource exploitation with

colonisation and decolonisation processes has lurked as a shadow that appears somehow beyond the scope of the responsibilities of business.

This chapter takes a different view, arguing that an acknowledgement of the intertwining of resource companies with colonisation and/or decolonisation processes is an essential starting point to establishing a more meaningful engagement with local communities. More specifically, the chapter will explore the ways in which BCL, Freeport and BP have been perceived by Bougainvilleans and Papuans as implicated in the colonisation and decolonisation of Bougainville (vis-à-vis PNG) and Papua (vis-à-vis Indonesia). These perceptions are then juxtaposed with the views of corporate executives from the companies involved. The aim of this approach is to identify how and in what ways the companies have attempted to engage and or disengage with these entanglements, as well as the consequences of disengagement on their efforts to establish harmonious relationships with local landowners.

Colonialism – a note on terminology

The concept of 'colonialism' is used in several ways depending on the context. Firstly, colonialism can refer to a moment in time, which is evident in Holmes, Hughes and Julian's (2012, p.432) definition as, "a period in history during which a Western nation maintains power over a territory other than its home territory". In a second usage, colonialism forms a framing device to explain the historical, economic, political and social dynamics of the past, present and future. This use of the term is evident in the characteristics of the 'colonial situation' as defined by Fanon (cited in Barfield, 1997, p.69). That is: political and legal domination over an alien society; relations of

economic and political dependence; a reorientation of the political economy toward imperial economic interests and needs; and institutionalised racial and cultural inequalities. Thirdly, colonialism is sometimes used to describe an administrative structure and set of policies such as, a UN mandated territory or trusteeship. In this thesis, the concept of colonialism is used to refer to specific colonial administrative structures established on Bougainville and Papua (which have included the activities of large corporations in a series of injustices), stemming from the economic and civilising missions of the colonial powers.

The case studies of Bougainville and Papua demonstrate that processes of colonisation are not clear-cut. Relationships between 'coloniser' and 'colonised' are not fixed, but constantly negotiated, re-negotiated and sometimes even over-thrown. Nor should concepts of colonialism be reserved to refer to sets of relationships of Western domination over an 'oriental' other. For example, the political changes that occurred in the wake of World War II saw the Dutch shift from being a long established occupying power in Papua to champions of Papuan independence in the face of a neo-colonial Indonesian state. Similarly, after experiencing several waves of European colonisation, Bougainvilleans found themselves transformed into an 'internal colony' of the newly decolonised state of PNG. Moreover, the very process of PNG decolonisation signalled just a new phase of colonisation for Bougainville. Both Papua and Bougainville have experienced multiple layers and stages of colonial domination. What this chapter seeks to do is explore the ways in which resource development has been caught up in these layers. Paradoxically, resource development has come to symbolise both the potential for sustainable self-determination and one of the largest obstacles to political independence.

Colonialism was declared illegitimate by the UN in 1960, which condemned it as “alien subjugation, domination and exploitation” (cited in Slater, 2004, p.175), however “there is a general sense throughout much of the developing world that decolonization has not resulted in meaningful economic or political independence” (Barfield, 1997, p.69). Further, there is wide recognition that the colonial encounter continues to have ongoing impacts in the lives of many.

To explain the continuity of the ‘colonial situation’, scholars have adopted the term ‘post-colonialism’. This term represents an attempt to capture the contemporary problems in developing countries through “a retrospective reflection on colonialism” (Said, cited in Banerjee & Prasad, 2008, p.91). Similar to colonialism, therefore, ‘post-colonialism’ is a concept that is used as a descriptor for a particular historical moment³² as well as an analytical tool to think about the ongoing impacts of the colonial era. The “traces of colonialism in the present” (Banerjee, 2000, p.5) explored in this chapter relate to the pre-specification of the path to ‘development’ and ‘progress’ for Bougainville and Papua (Banerjee & Prasad, 2008, p.91). The argument presented is that for Bougainville and Papua, the pathway to development has been characterised by the domination of physical space, reformation of indigenous knowledge systems, and framing of local economic histories from alien perspectives (Parsons, 2008, p.102). These expressions of external domination have profoundly conditioned relationships between BCL and Bougainvilleans, and Freeport, BP and

³² However, the use of the ‘post’ in ‘post-colonialism’ is problematic and has been criticised for upholding the “imperial idea of linear time” (McClintok, 1992, p.85) which promotes the misperception “that colonialism as a historical reality has somehow ended” (Banerjee, 2000, p.5).

Papuans.

While Bougainville and Papua are not considered post-colonial contexts, in that they do not yet enjoy political independence from the national governments of PNG and Indonesia, post-colonial theory raises important questions and concerns for the design of CSR in these areas. Of crucial interest for this thesis is the emphasis in post-colonial thought on recognising the connections between the past and the present, and the ways in which understandings of the past can determine possibilities for the future. CSR itself occurs amid, and contributes to, the social processes through which groups of people seek to make sense of the past and lay foundations for the future. Moreover, CSR does not operate within an 'a-historical' vacuum but forms a dynamic component of an ever changing, contested and negotiated 'social'.

Bougainvilleans and Papuans have drawn on the entry point of resource companies to challenge the 'self justificatory narratives' (Chakrabarty, 2006, p.341) of capitalist development in the hands of their central governments. As argued by Chakrabarty (2006, p.341), history is contradictory, plural, and heterogeneous. Challenges to narratives include coercion, political, institutional, and symbolic violence:

...often dispensed with dreamy-eyed idealism, and it is this violence which plays a decisive role in the establishment of meaning, the creation of truth regimes, in deciding, as it were, whose and which 'universal' wins (Chakrabarty, 2006, p.341).

This chapter seeks to expose some of the corporate and nationalist narratives of resource development and show how these narratives are shaped by the structures of

colonialism. In this way, the chapter aims to write into the CSR paradigm, “the ambivalences, the contradictions, the use of force, and the tragedies and ironies that attend it” (Chakrabarty, 2006, p.341).

The case studies of Bougainville and Papua reveal how struggles for self-determination are informed by collective memory³³ within contexts of power imbalance that defines whose history is spoken, heard and subsequently recognised. As Karagiannis (2004, p.65) aptly states, “the confinement of responsibility to future good intentions and its translation into ‘global responsibility’ are equivalent to forgetting the colonial past”. This ‘forgetting’, however, is not total. It requires a narrative that exacts a cost on both the designers and recipients. This chapter takes up this point, arguing that CSR is conditioned by the past. The complicity of large natural resource companies (both perceived and real) in historical injustices, has established a fraught perception of the companies in the collective memories of Bougainvilleans and Papuans.

Bougainville

...Culturally people are impacted. Sudden change to the worlds. BCL introduced it. Most of that was brought in by BCL (BOU29, Landowner from Nasioi).

Concern about the manner in which the Bougainville Copper Agreement (*Mining (Bougainville Copper Agreement) Ordinance 1967*) was reached and enacted in 1967 was a persistent theme in fieldwork interviews with Bougainvilleans. The Agreement

³³ Collective memory is defined by Teitel (2000, p.70) as, “a process of reconstructing the representation of the past in the light of the present”.

will be discussed here as an example of the historical injustices which underpinned the development of the mine. Indeed it was a negotiation that took place against a background of the hegemony of Australian thinking on tax revenue for state building, rather than the protection of individuals or landowning groups.

The marginalisation of landowners in the 1967 Agreement is partly attributable to the colonial Administration's understanding of development as linked to modern 'progress'. This understanding held little room for traditional Bougainvillean perspectives about the significance of land. Contrary to the views of BCL executives, for Bougainvilleans the company's operations were symbolic of the cultural, social and economic changes imposed under the Australian Administration. The gulf between the perspectives of Bougainvilleans and BCL executives about the historical development of the mine was a strong theme that emerged during fieldwork interviews. The data reveal that although local criticism of the 1967 Agreement is largely levelled at the Australian and PNG governments, BCL is perceived by Bougainvilleans to have been intricately linked to the historical injustices exercised by these governments.

In comparison to the case of Freeport in Papua (which will be discussed later in this chapter), BCL can be seen to have facilitated a 'culture shock' in Bougainville. This shock was characterised by a sudden shift towards a new economic mode of development, rather than by a violent imposition of a foreign culture that is often associated with concepts of colonialism (although there were elements of this in Bougainville too) (Blaskett, 1995, p.4). The social and economic transformations facilitated by the mine had the effect of disrupting traditional cultural practices. Bougainvilleans perceived BCL, alongside the Australian and PNG governments, as the

key drivers of these changes.

The Australian Administration

The early stages of Australian colonial rule prior to WWII are important for understanding the emergence of local objections related to resource development in Bougainville. The development of the mine can be seen to have intensified and accelerated a number of societal changes, which had been recently ushered in by the Australian Administration. These changes have been described as representing an Australian view of civilisation viewed as “unwanted ways of life to Bougainvilleans” (Oliver, 1973, p.184).

The first phase of these encroachments on Bougainvillean ways of life began in 1921, when Australia was offered a mandate from the Trusteeship Council of the League of Nations “to take care of the Territory of New Guinea until it was ready for self-determination” (Elder, 2005, p.142). Australian rule over Bougainville was suspended during the Japanese occupation of 1942-45 (Elder, 2005, p.145) but was handed back to Australia in 1947, when the UN gave approval to Australia to create a joint administration over Papua and New Guinea (Denoon, 2000, p.32). This mandate, according to Oliver (1991, p.78), was:

...subject only to the obligation that the administration would be carried out so that the customs and usages of the indigenous inhabitants would be protected, their cultural and educational advancement assured, their rights and interests self-guarded, and an increasingly progressive share in the administrative and other services given to them, as the territory developed.

Indicative of the characteristics of the 'colonial situation' identified by Fanon (cited in Barfield, 1997, p.69), this set of ideas shaped the way Bougainvilleans could operate through Western understandings of civilisation, education, and integration. As Elder argues, the traditional order of Bougainville was essentially in a process of being replaced by the "white man's wishes" (2005, p.150). These wishes were largely exercised through a plantation economy, which destroyed long established Bougainvillean garden culture and local modes of production (Elder, 2005, p.143-64). However, the paradox of the colonial situation on Bougainville was that the civil administration through the oversight of patrol officers was relatively minimal. Moreover, during my research it was indicated to me, that Bougainvilleans received the cessation of violence in the form of head hunting and cannibalism as somewhat of a relief, perhaps in prospect and certainly in retrospect.

The imposition of a foreign land tenure system over customary ownership³⁴ however, can be regarded as a key colonial transformation that enabled the development of the mine in a manner that contravened the express wishes of many Bougainvilleans. Land is often a tension in colonial relationships as it not only provides an incentive for the coloniser to hold on to territory, but it also highlights the colonial refusal to recognise alternative systems, especially with regard to land use and control (Banerjee & Prasad, 2008, p.93). On Bougainville, the Australian Administration believed from the outset that all subsurface minerals discovered were owned by the state. This conflicted with Bougainvillean understandings of land tenure in which:

³⁴ Customary land tenure in Bougainville is discussed more extensively in Chapter 6.

...traditionally, land belongs to numerous small, local matrilineal clan lineages and the right to exploit it is shared by clan members. Ownership of land can be transferred away from a lineage by custom, but only in limited circumstances, such as in the process of mortuary practices. The concept of leasing to outsiders for extensive periods for purposes involving destruction of land are not encompassed by landownership rules (Regan, 2003, p.137)

Conflicting understandings about the right to control land became a crucial source of dissatisfaction for landowners once the mine began production. The main concerns related to control over land with no obligatory compensation procedures; gender ignorance of women as caretakers of the land and the re-organisation of people's lives with dramatic changes to clan leadership.³⁵ Local discomfort with many of the social, cultural and economic transformations that had been gradually creeping in under Australian colonial rule was further aggravated by the commencement of mining operations.

In colonial contexts an administration's development activities are often pursued within a discourse of 'caretaking' or 'stewardship'. However these same activities can be just as easily understood within paradigms of 'exploitation'. The fact that prospecting for mineral resources began to occur during the very early phase of Australian rule on Bougainville is indicative of the caretaking / exploitation tension:

...[in 1929] the Australian Bureau of Mineral Resources had set the scene for

³⁵ The consequences of these changes will be discussed in Chapter 10.

further mineral exploitation when a prospecting license virtually gave prospectors the freedom to march all over the mountains and, in most cases, to arrive unannounced upsetting the landowners who did not understand what was going on (Havini & Havini, n.d, p.8).

The lack of information and education provided by the Australian Government to landowners regarding the mining activity occurring on their land, later became a passionate source of contention for Bougainvilleans when rich copper ore was later discovered at Panguna in 1964³⁶.

Discovering Panguna

...They thought landowners within Panguna district didn't know what was happening. They tried to set up. People weren't ready to open the mine. I told [the] colonial mission and headquarters that there would be bloodshed (BOU19, Landowner group chairman).

The second period of Australian rule is the most important phase for this discussion of BCL's intersection with historical injustices on Bougainville. It was during this time that the Australian Government paved the way for BCL to begin mining activities. As a BCL executive stated, *"Australian colonialism...was in our best interests. It got the mine running. It was impressive given the isolated location"* (BOU2, BCL Executive).

³⁶ The methods BCL used to inform Bougainvilleans of the impact the mine would have on their land will be discussed in Chapter 8.

During the late 1960s³⁷, the ALP, under the leadership of Gough Whitlam, “broke the bipartisan tradition and made PNGs destiny an issue in Australian politics” (Denoon, 2000, p.37). Whitlam advocated the decolonisation of PNG, as he believed that:

...Australians could justify their role in PNG’s society and economy only if the indigenes perceived that they themselves were being prepared for participation in all the jobs which were being performed anywhere in PNG (Whitlam, 2002).

Following extensive tours of PNG in the 1960s, Whitlam declared that “the rest of the world will think it anomalous if PNG is not independent by 1970” (Whitlam, 2002). When he was elected leader of the ALP in 1967, Whitlam began establishing the early conditions for an independent PNG, which he believed could be made possible through economic ‘development’ (Denoon, 2000, p.36). Several years before Whitlam took over the ALP leadership a report was released by a “Territory of Papua and New Guinea geologist, which suggested the existence of a large low grade porphyry copper deposit [on Bougainville]” (Jackson, Graham, Moore & Partners, 1971, p.1). Following this discovery CRA arrived on the Island with a Special Prospecting Authority issued by the Administration to further investigate the resource potential of the site (Denoon, 2000, p.62).

The early exploration period was marked by landowner resistance, partly driven by

³⁷ During this time, there were changes in ideas about racial inequality back in Australia where an early land rights movement had emerged, and ignited a debate over land rights for Indigenous people in Australia.

stories of what CRA had done in Nauru. It was rumoured that the company had taken minerals out of Nauru, and left nothing for the people (Denoon, 2000, p.66). By the time local Bougainvillean resistance brought prospecting activity to a standstill in 1965, it had become clear to both CRA prospectors and colonial officers that the landowners were quite opposed to mining. However, with power to control the land vested in the Administration, CRA and the Australian Government continued negotiations, leaving landowners with little choice in whether or not mining would occur. As a Bougainvillean civil servant stated,

...Mr Barnes was the Australian minister for external affairs. When there was resistance he flew in by chopper and literally told them we will get the mine working whether they like it or not (BOU13).

In this way, the Administration paved the way for the creation of the mine and evicted landowners from exploration sites. These processes can be seen to have included some attempt to *explain* the development of the mine to local Bougainvilleans. However there does not appear to have been any engagement in genuine consultation about the project or recognition that local landowners should have any right of veto.

Meanwhile, CRA considered central Bougainville to be a promising site to extract copper and devised a corporate structure to manage the investment and development, with Bougainville Copper Pty Ltd (BCPL, later BCL) as the operating company. One of the first objectives of BCL was to gain the support of the Australian Government to go ahead with the mine. It did so by appealing directly to the Administration's financial interests in making PNG less fiscally dependent on Australian largesse, and by making a case for the benefits of development for Bougainvilleans. This is reflected in the

following statement of a former CRA chairman, Sir Maurice Mawby, to the Australian Government:

...[a Bougainville mine] will result in a decrease in the Commonwealth funds necessary for maintenance of Australian administration...and we would hope [to] do much to train the natives and guide them into a peaceful acceptance of independence compatible with our Australian hopes (Denoon, 2000, p.80)

The 1967 Agreement

...Bougainville got the wrong end of the stick as far as questions of benefits were concerned. Australia were preparing for independence for PNG. PNG wasn't politically or economically ready. Except when it found BCL. Australia thought, we will get the money whether you like it or not (BOU13, Bougainvillean civil servant).

On the eve of PNG's independence in 1975, Bougainville attempted to secede (Tonks & Dowling, 1999, p.11). At this time, the current President of the Autonomous Region of Bougainville, Father John Momis, lobbied for Bougainville's independence, making his case to the UN Trusteeship Council in New York. According to Gough Whitlam (2002):

...Momis said that Bougainville wished to determine its own destiny and that its 90,000 people were ethnically and culturally part of a separate Solomon Islands group. Olewale [Ebia Olewale, the PNG Minister for Justice] told the Council that if the separatist principle was accepted 'it could result in the creation of 700 potential mini-states in Papua New Guinea'. The Trusteeship Council unanimously extended congratulations to Papua-New Guineans on their

successful preparations for independence and expressed confidence that the unity of the country would be successfully maintained.

This statement makes it clear that the Australian Government was well aware that BCL was on the verge of entering into a major business deal which would one day see the mine reside in the hands of a government that did not have legitimacy in the eyes of a significant proportion of Bougainvilleans. According to Tonks and Dowling (1999, p.12), it was an independent PNG Government, rather than Bougainvilleans specifically, that the first Chairman of BCL, Frank Espie, prioritised. Moreover, Espie was overt in stating that he wanted a mining agreement that would be seen as satisfactory for the first Prime Minister of an independent PNG Government (Tonks & Dowling, 1999, p.12). The Agreement reached and enacted by the Territory's House of Assembly in 1967 was thus brokered between BCL and the Australian Territory of PNG. It committed the Australian Government and BCL to "terms concerning taxation, royalties, environmental management, employment and infrastructure" (Denoan, 2000, p.3). Clearly, BCL negotiated the development of the mine with the state, rather than the customary landowners or local inhabitants.

Furthermore, Denoon (2000, p.90), argues that instead of concern for the impacts the project would have on the people of Bougainville, the main issue considered by the company's negotiating team was the protection for the financial backers of the project.

Because:

...in the end, the project cost about \$A423million. Shareholders invested \$130million, and borrowings amounted to \$334million, of which the twenty-seven banks in the Bank of America syndicate found \$110million. This leverage

was self-evident, and they were exceedingly fussy about the institutions and countries to which they would lend capital³⁸ (Denoon, 2000, p.91).

In spite of this, Denoon claims that there were some measures included in the Agreement, which attempted to take into account the welfare of Bougainvilleans, such as raising education and health facilities to a specific standard (Denoon, 2000, p.95). However, some of these matters were not outlined in the Agreement itself, but in an exchange of letters between senior officers of the Administration and high officials within the company.

Tonks and Dowling argue that BCL was anxious to initiate these kinds of community initiatives so that people living in the mining lease areas would benefit from the venture (Tonks & Dowling, 1999, p.13). In order to achieve this, BCL established a Village Relations Department to provide information to locals on the company's activities, and assisted with issues such as compensation, the establishment of small businesses, information on crops and livestock, as well as mediation between Bougainvillean and expatriate employees. These initiatives however, were inadequate to tackle the much deeper landowner concern that their country was being exploited to finance an independent PNG while Bougainville's own aspirations for independence were ignored and declared illegitimate. In this way BCL became a key player in a triangular relationship between the Australian Administration, aspiring leaders of an independent PNG and Bougainvillean leaders advocating separatism.

³⁸ These amounts also show why the 10billion kina claim made by Francis Ona was so unrealistic.

Although the blame for the Agreement being an unfair deal for Bougainville has largely been leveled at the Australian and PNG governments, interviews conducted for this project reveal a popular perception amongst Bougainvilleans that BCL was also complicit in the social changes ushered in under Australian colonialism, and which continued when the region was incorporated into PNG. In one interview a BCL executive sought to challenge the existence of this perception arguing that:

...BCL was seen as the only way to get attention from the national government.

It wasn't a symbol of Australian colonialism – the Bougainvilleans wanted to get at the government, not the commercial entity (BOU1).

Another BCL executive stated,

"The problem was between Bougainville and the rest of PNG. The mine was just a catalyst for conflict that was blamed on BCL" (BOU2).

Regardless of whether these perceptions are considered legitimate by corporate executives, they are important to consider as they represent local perceptions of the company in a crucial period of Bougainville's history, with many Bougainvilleans believing that while *"BCL did fulfil the Agreement...the Agreement was an injustice on Bougainville"* (BOU6, Bougainvillean former BCL employee).

1974 Renegotiations

As discussed in Chapter 4, the 1970s were characterised by increasing support for secession on Bougainville. Part of Somare's strategy to counter the secession demands was to add to the payments provided to affected landowners by setting up an Interim

Provincial Government which would receive all the royalties from the mine (but not the large tax revenues or shareholding). The aim of this was to ensure that all Bougainvilleans, and not just those from the immediate mine site would benefit from the wealth generated by the project (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.13). Further, Somare required that BCL provide the entire mine's supporting infrastructure, as well as jobs to 3,500 Papua New Guineans³⁹ (Blaskett, 1995, p.50). These new requirements came to be known as the 1974 Agreement.

Under the 1974 Agreement, "revenues were assured for the independent state of PNG and Australia was able to withdraw from its colony within a comparatively short period" (Blaskett, 1995, p.50). A significant failure of the 1974 Agreement however, was that it failed to improve local participation in the negotiations (Blaskett, 1995, p.50). Rather, the new agreement was directed mainly at the tax regime and was considered a victory for PNG (Regan, 2003, p.138).

Regan argues that although the 1974 agreement, "in the context of political confrontation over Bougainvillean demands for devolution of power" (Regan, 2003, p.140), Bougainville as a whole did in fact get a small percentage of the mining royalties, local interests were still not consulted in any effective way. Dorney (1998, p.53) supports this argument by stating that:

...while the BCL agreement struck in 1974 certainly made the mine share its winnings with the national government in a way that was exemplary for its

³⁹ The provision of employment to Papua New Guineans generally, rather than to Bougainvilleans specifically, will be discussed in Chapter 10.

time, the mine was nonetheless insensitive to local interests and driven purely by the profit motive, and was abetted in this attitude by the national government.

The story of the Bougainville copper mine reveals that national governments can undermine resource companies' responsibilities to community development as a result of their own political and economic interests in the resource project. This reflects the colonial character of the relationship between PNG and Bougainville that BCL cannot be separated from, however distinct they may have considered themselves to be. It is clear that in the context of Australian decolonisation of PNG, Bougainville experienced the exploitation of the 'periphery' for the benefit of the 'core' (PNG). Having said this (with the methodological limits of the thesis set out in Chapter 2 in mind), it is worth noting that from the perspective of leaders such as Somare and Whitlam these actions might be viewed as occurring in the interests of 'all the people of PNG'. Nonetheless, the company has been perceived by Bougainvilleans as a facilitator of the central government's interests, rather than an organisation committed to responding to the rights and objections of Bougainvilleans. As will now be discussed in relation to the Freeport mine in Papua, these historical connections can entrench a particular negative perception of the company in the collective memory of locals. Such a memory presents significant challenges to future attempts by such companies to establish a harmonious relationship with the community.

Papua

...It is hard to find any problem in Papua not connected to Freeport. It shows

how significant it is when one talks about Papua. Any problem with Indonesia is the same as what people accuse Freeport of doing. Some people accuse Indonesia of polluting culture. Freeport is the other side of the same coin of Indonesia – modernisation, social diseases...Put that in context and start to think about CSR and it will be more complex (Papua1, Papuan NGO worker).

Papua's involvement in the decolonisation process of Indonesia or more simply, the terms on which the territory was incorporated into Indonesia is the core grievance expressed by the local independence movement. Similar to the way that the nature of mining operations in Bougainville were characterised by an Australian, then PNG colonial power, Papua has been described as an 'internal colony' (Smith & Ng, 2002) where "the core dominates the periphery politically and exploits it materially" (Hechter, 1999, p.9). A significant proportion of Papuans have contested the coercive nature in which their homeland was incorporated into Indonesia, and most importantly, the treatment of Papuans by the Indonesian Government and security forces since that time.

The incorporation of Papua into the Republic of Indonesia, as well as its economic underdevelopment relative to the rest of the state, laid the foundations for its independence movement, including the armed separatist group the OPM. Papua's core objections are political, directly linked to contested processes such as the 'Act of Free Choice'. However cultural factors and the emphasis on 'difference' (ethnically, culturally and geographically) have also contributed to keeping "the demands for autonomy or complete independence alive" (Smith & Ng, 2002, p.95). This understanding of Papuan expressions of independence reinforce the argument made in

the previous chapter, that the justice claims at the heart of the Papuan conflict can be conceptualised as claims for both 'recognition and redistribution' (Fraser, 1997).

In crucial ways, the American mining company, Freeport-McMoRan Copper & Gold is perceived to have been used as a tool by the Indonesian state to exploit Papua through the political relationships the company shared with the US Government and Suharto's New Order regime; the justification and source of funding the huge mining project provided the Indonesian military and the lack of financial returns to the Papuan economy. Of significance to the future of Freeport's presence in Papua, respondents in this study also highlighted Freeport's controversial entry into the province as a key factor constraining progress in the company's long and fraught relationship with local people. As a Papuan member of the Freeport union for indigenous workers 'Tongoi Papua' stated,

...before the status of Papua, Freeport already made a contract in 1967. That's the problem. That's why until now there is always a problem (Papua24).

The remainder of this chapter explores the history of bad relations between Freeport and indigenous Papuans, and seeks to explain the historical injustices that have conditioned Freeport's later attempts in the mid-1990s to establish more valuable relationships with indigenous Papuans.

A contract with the state, not indigenous Papuans

As discussed in Chapter 4, the 1967 contract between the Indonesian Government and Freeport essentially established the company as a contractor working for the regime (Ballard, 2001, p.12). The mine itself was to be used as an investment to serve the

interests of the company and the state, rather than indigenous Papuans.⁴⁰ The Contract required no occupational health and safety, environmental or labour rights provisions; rather, the regime essentially gave the company the right to acquire land and re-settle the indigenous population with no obligatory compensation or consultation (Smith and Ng, 2002, p.102). As Mealey (1996, p.303) claims, "Freeport's contract of work to extract copper from Irian Jaya is with the republic of Indonesia, not the villages of Wa". Moreover, Freeport was not obliged to participate in local or provincial development programs and no restrictions were placed on the company's environmental practices. The 30-year contract made Freeport the exclusive mining contractor within an Ertsberg-centred 10 km square (PT Freeport Indonesia, 2006, p.4). The Company also owned most of the core businesses associated with mining operations in Papua (Cookson, 2005).

The practice of granting companies a monopoly over a particular trade or product was designed by Suharto's New Order to "provide ample opportunities for political patronage and corruption" (Robertson-Snape, 1999, p.594). Consequently, the company has been strongly resented by Papuans for the relatively small financial returns delivered to the province in comparison with the substantially larger profits flowing to the central government, the Suharto family and the military⁴¹ (Sumule, 2002, p.9). One major concern is that only sixteen per cent of the Freeport workforce and its supporting companies were Papuans, so the "salaries and other benefits paid to

⁴⁰ The problems associated with the state setting standards on corporate-community development and the protection of locals will be discussed in Chapter 6.

⁴¹ This will be discussed more extensively in Chapter 6.

the employees have a relatively small impact on the development of local economies” (Sumule, 2002, p.10).

Freeport has also been charged with the destruction of “sites of considerable traditional significance” (Ballard, 2001, p.30). The 1967 Contract contained an overt disregard for the customary land rights of the Amungme and Kamoro, with the land effectively considered *terra nullius*. As such, Freeport has been perceived as deeply connected to internal colonialism occurring in Papua at the hands of the Indonesian state. As a Papuan religious leader stated:

...Since 67-68 Papuans see the Indonesian government and Freeport working together without the Papuans. The Papuans became outsiders and Indonesia and Freeport became owners. We are living in that situation now. We West Papuans live as outsiders in our own home. In all countries, it is universal. When someone will visit other people they ask if I can come to you. But in this case they haven't. Kamoro and Amungme never invited them to come here. The Amungme people protested (Papua27).

Article 2 of the 1967 Contract granted the company rights to resettle people living in the project area, however this was not explained to the local people affected (Mealey, 1996, p.303). Subsequently, accusations emerged that inadequate protection was afforded to the Amungme and Kamoro people in the areas of housing, food, health and the protection of their culture (Soares, 2004, p.121).

The 1967 Contract also led to the presence of large numbers of troops around the mine site because it explicitly required that Freeport “provide for and meet the logistic

needs of government officials” (Ballard, 2001, p.28). Military brutality in the region has fuelled support for independence from Indonesia (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.72). The direct connection between the development of the mine and the increased presence of Indonesian troops is closely linked to dissatisfaction of local communities’ about Freeport’s mining operations (Ballard, 2001, p.28). Freeport therefore, has been viewed as highly complicit in the Indonesian Government’s initial destruction of the indigenous environment for the benefit of the Republic of Indonesia.

Illegal mining?

Unfortunately however, association with the exploitation of the remote fringes of an empire for the benefit of a colonial core is not where the negative ‘symbolism’ of Freeport in the collective memory of Papua ends. The Contract was signed in 1967, two years before Indonesia was given sovereignty over Papua and as highlighted earlier, Freeport had even begun construction prior to this time (see Franks, 2007, p.261-2). This period was “*seen by many Papuans [as a time in which] the Indonesian Government shouldn’t make any major business decisions*” (Papua45, former Freeport employee). Freeport’s entry during this time has created a popular perception in Papua that:

...Freeport is illegal mining. Same as illegal fishing, illegal logging. Why is there illegal mining? Because I am a landowner. Indonesian government and American government never invite landowners to sign an MOU [Memorandum of Understanding] of the company because in 1967 Papua under UN, not fully

*under Indonesian government*⁴² (Papua31, Papuan Human Rights NGO worker).

Indonesia held interim authority over Papua under the New York Agreement, which was brokered between the Netherlands and Indonesia in 1962 by the United States. Indonesia was given Temporary Executive Authority on the condition that a referendum on independence was to be held in 1969. This Temporary Executive Authority was only intended to remain in Papua until 1969, giving Indonesia the authority over the territory on the 1st May that year. “And so the period of Indonesian interim rule began that, according to the New York Agreement, was intended to familiarize the local population with their new bosses” (Drooglever, 2009, p.624). According to Drooglever (2009, p.624), foreign influences were eliminated as much as possible. The Government banned labour unions, political parties that had been established under the Dutch Administration and Indonesian education was introduced. Additionally, Indonesians replaced Papuan civil servants responsible for regional subdivisions and districts, and an official policy of transmigration was implemented with the aim of demographically integrating Papua into the rest of Indonesia. A simultaneous influx of Indonesian security forces contributed to an increasingly ubiquitous and repressive Indonesian presence in Papua.

The fact that the Contract of Work took place before the granting of Indonesian

⁴² This example also demonstrates the conflict between the public rhetoric of the UN in relation to support for decolonisation, and the practical implications of their actions and decision making in terms of the perpetuation of colonial structures. This conflict is also evident in the previous discussion of the Australian Government’s overt support for PNG independence, while the same time refusing to entertain Bougainvillean claims for self-determination.

sovereignty means that the legal basis for Freeport's entry is unclear. The New York Agreement itself provided ambiguous terms and conditions for what types of activity could occur during the interim period of Indonesian authority. No mention was made about the terms on which the Indonesian Government might enter into major business decisions. Adding to this ambiguity was the fact that, owing to Suharto's ascension to acting President (he became President a year later), at the time of the Agreement there was no existing Foreign Investment Law in Indonesia (Mealey, 1996, p.81-4).

In 1967 Papua was certainly viewed by the Indonesian Government as a frontier region to test the potential for foreign investment. Constituting the first of its kind, there was a lack of precedents for the Suharto regime to draw on in regard to contract development for large-scale mining projects. Subsequently the legality of Freeport's entry into Papua is indeed vague. However while this ambiguity makes it hard to gauge the legality of the project; it simultaneously makes it equally difficult to definitively establish its 'illegality'. Freeport's entry into Papua can therefore be read as a contest between the contrasting stories that the Indonesian state and separatist Papuans tell about the past, albeit with unequal capacities to make these histories heard. As McEwan (2009) argues, power dynamics are not only economic and political but also deeply cultural. On the one hand, is an American mining company with an interest in supporting and upholding the wishes and interests of the state and capitalist development; and on the other hand, a small indigenous population living on the periphery in a very remote part of the world.

What we learn from these circumstances is why it was so easy for the Indonesian Government to establish contested mining practices. With Papua viewed as a 'frontier'

of development, the territory was ripe for exploitation. Further, as the territory is located in a remote part of the world, activity in the region went largely unnoticed and unmonitored by the international community.

Freeport and American interests

As the New York Agreement stipulated that Indonesia held authority over Papua according to the terms and conditions of a UN Temporary Executive Authority, the UN had a responsibility to ensure the referendum was free and fair (Leith, 2003, p.12). However, they clearly failed in this task (Leith, 2003, p.12). The contested manner in which the Act of Free Choice took place and the failed protection of Papuan rights by the international community, ignited suspicions that Freeport was not only a symbol of Indonesian economic exploitation, but also provided a reason for why *“America used its power to support Indonesian integration”* (Papua22, Human Rights worker). As one Papuan Human Rights worker stated:

...At that time, it [the contract] was already made, so America used its power to support Indonesian integration because of its investment in resources. The military at the time used force to go into Papua. That's why some Papuans recall the result of Freeport because it is illegal or not valid (Papua22).

The power that Freeport exercised in the US support for Papua's integration into Indonesia is also highly contested. On the corporate side, the arguments that support Freeport's lack of influence point to the small size of the company and the Ertsberg copper mine during the Act of Free Choice process. As a former Freeport employee responded to this suggestion,

...as if Freeport was used as a bargaining factor between the US and Indonesia.

It is wrong because it was a small company. It could not be used as a bargaining factor (Papua45).

This statement does bear some truth as the Ertsberg mineral deposit was only a small copper mine at the time of the Act of Free Choice and was reaching closure by 1988. It was not until the current Chairman of Freeport McMoRan Copper & Gold, Mr James R. Moffett, “went to Papua to see if the company could get anything else that they discovered the ‘real mine’ in Grasberg” (Papua45, former Freeport employee). It was the development of this later copper and gold deposit which led to the expansion of the company’s operations in Papua and transformed Freeport into an international mining company. However while the perceived potential for resource extraction in Papua was not on a large scale, it is likely that the US was motivated in this Cold War context to support the Indonesian Government as much as possible in an effort to reduce the likelihood of Indonesia leaning toward the communist camp.

Despite the evidence that United States support for Indonesian rule in Papua was not financially motivated, there remains a lot of emotion associated with Freeport and its political connections both in Jakarta and in the US, with demands from some Papuans for “payback from the US” (Waromi, 2010). As the President of the West Papuan National Authority recently commented in relation to a US Senators Congressional Hearing in Washington:

...We West Papuans have a lot of history with the United States...General MacArthur’s children might not know their father dropped us two thousand guns to fight the Japanese during World War 2. John Kennedy’s children

probably don't want to know their father called us 'just 700,000 cannibals' as he artfully bullied the Dutch into relinquishing its colony to the Indonesians. I would of course remind Ellsworth Bunker's children that their father was the architect of the New York Agreement that enslaved us to the Indonesians. And then there's Mr Kissinger and the whole Freeport mine business (Waromi, 2010).

More specifically on the 'whole Freeport mine business', those who argue Freeport did have the power to influence the decisions of the US Government highlight two key areas. First, the 1967 Contract which is believed to have been a political move on the part of the Suharto regime, "aimed at exploiting the 'unsubtle connection' between letting foreign companies in and securing international support" (Leith, 2003, p.60). Second, several influential board members of Freeport also had ties to the US Government (such as members of the Rockefeller family and Augustus "Gus" Long – a former member of President Johnson's Foreign Intelligence Agency).

In regards to the latter, Leith argues that Freeport was particularly attractive to the New Order regime, despite other international companies competing for the same mining contract. By engaging with Freeport, Indonesia may have believed they could simultaneously strengthen US support for their claim on Papua (Leith, 2003, p.13). Moreover, through the company's connections with the "echelons of power in Washington" (Leith, 2003, p.58), Freeport was seen as a valuable resource to fulfil the regime's needs on more than one level.

Leith (2003, p.59) further argues that the links between Freeport's board and the US Government meant that the 1967 Agreement also ushered in the interests and

influence of the US in Papua. She believes that this interest was evident in the way:

...Washington was to directly support Freeport's association with the new regime by guaranteeing \$60 million worth of loans the company received from U.S. lending agencies that enabled it to proceed with the project (Leith, 2003, p.58).

Despite the links between Freeport and the US Government, "the power relationship between the Indonesian state and foreign capital shifted a number of times; between the regime and the company it shifted significantly - in the state's favour" (Leith, 2003, p.66). This was because Suharto's regime was no longer plagued by the political insecurities that it held in the 1960s. 24 years of authoritarian rule gave the New Order the power to confidently exploit foreign capital (Leith, 2003, p.66). However this power shift would again reside in the hands of the perceived oppressor of indigenous Papuans – the Indonesian state, and more specifically, Suharto and his business allies (ICG, 2002, p.18).

The power shift in favour of the New Order took place during a time in which Freeport announced the discovery of Grasberg. The new mine required Freeport to sign new contracts with the Indonesian Government in 1991 and 1994 which "effectively gave the company exploration rights for approximately nine million acres and the right to mine any discoveries for a further fifty-year period" (Leith, 2003, p.64). However, in contrast to the relatively naïve approach of the Indonesian Government during the 1967 contract, Suharto wrote the terms of the new contract with personal interests at

stake⁴³. According to Leith (2003, p.66), the 1991 contract required “higher payments to the government, restrictive exploration conditions, incorporation in Indonesia, Indonesian equity in the company...together with an unwelcome commitment to build a smelter on Java...”.

The future of corporate community relations in Papua

As of 2012, the requirements on Freeport to provide welfare services for Papuans have become so all-encompassing that the company is considered by some to operate as a de-facto form of local government (ICG, 2002, p.18). As one interviewee stated:

...We are in number three of colonisation. First was big country – USA and Dutch. Second was Indonesia. Third is Freeport – new coloniser. Because he is a partner of Indonesia. They come without anything – everything is not legal. Freeport colonise and has everything – modernisation and things for the military to guard. Money to command the police and military. It is a model of a small state. An environment department, same as a minister. Defence minister, security department... Freeport is a new coloniser for us. So we are most victims because under three [colonisers] above us (Papua30, Papuan activist).

The story of Freeport’s role in the incorporation of Papua into Indonesia provides an important backdrop for thinking about CSR in the region. The logic which enabled Papua’s incorporation into Indonesia has shaped the relationship between indigenous

⁴³ According to the ICG (2002, p.18), Freeport guaranteed an estimated US\$673 million in loans to Suharto-linked interests between 1991 and 1997.

Papuans and Freeport and crucially, local perceptions of the company in relation to efforts to deliver CSR.

It appears unlikely that calls for Freeport to acknowledge their complicity in the contested nature in which Papua was incorporated into Indonesia will be met. This is partly because the Indonesian Government has so far resisted Papuan demands for an historical review of the Act of Free Choice. The stalemate over this issue is evident in contemporary debates between Papuan leaders and the Indonesian Government about dissatisfaction with the Special Autonomy package granted in 2001. In these discussions, the Indonesian Government has remained unwilling to recognise Papuan refusal of Special Autonomy and a request for an historical review of the Act of Free Choice. Rather, the Government tends to respond with an attitude of, "We give you lots of money, why are you not happy?" However as of 2011, Susilo Bambang Yudhoyono has agreed to participate in 'dialogue' with Papuans. The success or otherwise of this dialogue is yet to be realised, which will be discussed in more detail in Chapter 12.

The same issues about how Papuan history is defined and understood have not escaped BP's Tangguh LNG project in the Bird's Head⁴⁴ peninsular of West Papua. This is despite the fact that many Papuans who have been involved with consultations facilitated by BP perceive the company more positively than Freeport. BP's CSR initiatives do not directly set out to support Papuan calls for an historical review of the

⁴⁴ For an historical analysis of the Bird's Head peninsular see Timmer (2000).

Act of Free Choice. However, the company has implemented practical strategies, which indicate sympathy for the injustices that Papuans have experienced as a consequence of major natural resource projects. As will be discussed in more detail in Chapter 9, BP has put in place a Community Based Security Strategy that aims to reduce the presence of Indonesian security forces around the project, by drawing on local civilians to provide security services. Other positive examples interviewees discussed in relation to BP include a greater respect for indigenous land rights, a commitment to dialogue and pro-active attempts to reduce the in-migration of non-indigenous Papuans (see Ch 10).

Despite these efforts, there is a distinct sense that Papuan trust in BP is far from secure, with considerable fear associated with the presence of the company in the context of the broader collective memory of Freeport's entry into the area. As Socratez Sofyan Yoma (2005), President of the Fellowship of Baptist Churches of Papua, stated in a letter addressed to the Group Chief Executive of BP:

...What makes you so sure that you can avoid Freeport's mistakes? We know from experience that dogs will always find vomit to eat. Whether you like it or not, wherever there is money, the TNI [*Tentara Nasional Indonesia*, Indonesian military] will be there sooner or later to lap it up. They will create an "incident", blame the OPM [Free Papua Movement] and then insist that they provide "protection", at a price, for a "vital national asset". We also know from experience that in West Papua ruled by Indonesia, where foreign companies operate, our people eventually become marginalized in our own land.

By conducting business in Papua under the Indonesian Government, there is no way that BP can completely avoid gaming in the complex and contested colonial

relationship that exists between the Indonesian state and indigenous Papuans. In many ways, Papuan concerns about BP's extractive activity do not centre on demands for greater community development or access to resources. Rather, they centre on previous experience of major natural resource companies as facilitators of Indonesian colonialism, Indonesian security forces, state corruption and the cultural marginalisation of indigenous Papuans.

The historical incorporation of Papua into Indonesia is not an injustice that can be reconciled with money alone. As the remainder of this thesis aims to show, Freeport has been unable to resolve Papuan feelings of injustice through the distribution of community resources. While access to wealth is always valued, it has been unable to tackle much deeper grievances about the company's involvement in the historical incorporation of Papua into Indonesia – a crucial justice claim of Papua's independence movement.

Conclusion

This chapter argued that the historical processes that led to Bougainville and Papua's incorporation into PNG and Indonesia provide important contextual information for analyses of CSR in these areas. The negative perception of resource companies in the collective memory of Bougainvilleans and Papuans due to their complicity in the colonial enterprise of the dominant nation state, has constrained corporate efforts to improve community relations. This negative perception highlights a key learning from the two case studies. That is, the processes and political conditions which lead to the establishment of resource projects cannot be disassociated from future possibilities for

meaningful relationships between the companies involved and local communities.

In the cases of Bougainville and Papua, resource development projects have been entwined with historical injustices associated with political incorporation into PNG and Indonesia, and their economic exploitation for the benefit of these states. Resolving these grievances cannot be easily solved through the distribution of material resources alone. As Fraser argues (1996, p.5-65), “neither redistribution alone nor recognition alone can suffice to remedy injustice today...to pose an either/or choice between the politics of redistribution and the politics of recognition is to posit a false antithesis”. Hence a retrospective engagement with cultural or symbolic recognition, through, for example, re-writing the original agreements between states and corporations or participating in local reconciliation ceremonies is also required. The options available to BCL, Freeport and BP will be discussed in more detail in Chapter 12.

An important observation of this chapter was that the state has both the power to control the land, as well as the power to legislate. The following chapter argues that the state’s capacity to override customary land tenure establishes a ‘framing error’ in the conduct of resource development. The error made by the companies is that they tended to be generous and responsive to the central government, at the expense of customary landowners and communities directly affected by the resource project.

Chapter 6: State Law & Customary Land Ownership

Site of interdependence	Disengaged (CSR as it mostly is)	Engaged (CSR reconfigured)
Denial of customary land rights	Corporations draw on State law (or national stories) to legitimise local grievances and facilitate regional inequality	Corporations open pathways to challenge state law (or national stories) and regional inequality

One of the more important observations in Chapter 5 was the inadequate protection afforded to Bougainvilleans and Papuans by their respective central governments, and their marginalisation in important decisions relating to resource development. The issue this chapter addresses is that the state’s control of natural resources in Bougainville and Papua has led BCL, Freeport and BP to be responsive to the terms of access to land set by the governments of PNG and Indonesia, rather than the customary owners of the land on which they operate. The second site of interdependence discussed in this chapter therefore, is the involvement of the three companies in the state’s denial of customary land rights.

The sidelining of customary land rights by the central government prompts a consideration of the state’s role in complementing Interdependent Engagement in

peace building. The state's control of natural resources highlights the limited capacity of Interdependent Engagement to resolve local grievances when the state itself fails to protect the rights of locals. Through an analysis of the state's control of natural resources in Bougainville and Papua, this chapter argues that corporate responsiveness to the terms of access to land defined by the host state does not guarantee the legitimacy or fairness of the resource project. Thus, while corporate agreement to abide by the host state's laws would generally be encouraged, the cases of Bougainville and Papua highlight that these laws can actually represent an injustice for locals.

This chapter argues that while the host state is ultimately responsible for the promotion of peaceful natural resource development, corporations have an important role to engage directly with locals to ensure that their rights are not unjustly compromised in the states pursuit of national economic development. Put another way, rights are better protected when respect for rights is a plural accomplishment of networked governance (Braithwaite, Charlesworth & Soares, 2012), when many actors (the UN, states, corporations, courts, NGOs) each seek to cover the weaknesses of the other with their own strengths in terms of rights responsiveness.

The role of the state in complementing Interdependent Engagement in peace building

The responsibilities of host states in the promotion of responsible business practices have received increasing interest alongside the debate over the responsibilities of business in zones of conflict. A prominent example is the UN Secretary General on Business and Human Rights, John Ruggie's delineation of the 'responsibilities of states' in the 'Protect, Respect and Remedy Framework'. According to Ruggie (2008, p.10)

host states have a responsibility to reinforce the steps companies take themselves to respect the rights of citizens. This includes: the strengthening of market pressures on companies to respect rights such as mandatory CSR reporting; the development of policies, rules and practices to determine corporate liability and punishment; the promotion of conflict-sensitive business practices; and to advise corporations on human rights risks (Ruggie, 2008, p.10-4). While Ruggie recognises that host states find it difficult to strengthen social and environmental standards due to fear of foreign investor challenge (Ruggie, 2008, p.11), he does not explore states' responsibility to balance the protection of minority rights with the pursuit of national economic development.

The fact that states might need assistance in balancing minority rights with national development is highlighted by Ballentine and Haufler (2009, p.5) who argue that, "in an ideal world, sovereign states would be willing and able to manage peacefully their internal conflicts and husband their economic assets for the collective well-being of their citizens". However in areas affected by conflict, "companies may be undercut not just by less scrupulous companies, but by host governments unconcerned or unable to address issues of corruption, criminality and conflict" (International Institute for Sustainable Development and ICUN - The World Conservation Union, 2006).

Ballentine and Haufler (2009, p.6) believe that conflict-sensitive business cannot take place in the absence of the state's assistance, through, for example, security sector reform, transparency, good governance and the protection of human rights. Thus, complementing the focus of this thesis on the interdependence between business activity and the societies in which they operate, the authors argue that "whether

positive or negative, the behaviour of companies is not simply a function of their own corporate cultures, but also and fundamentally a function of the broader playing field in which they operate" (Ballentine & Haufler, 2009, p.31). As a result of the interdependence between corporate activity and broader political activity, there are limits to what corporations can achieve in the pursuit of social and environmental responsibility without collaboration with state authorities. This is especially true in cases where there is a history of political and economic marginalisation of minority groups, as in Bougainville and Papua.

This chapter discusses a key avenue through which states often fail to assist corporations to protect the rights of locals: the overruling of the customary ownership of the land on which natural resources are exploited. State control of land establishes natural resource companies as accountable to the laws of nation states. This means that states wield the power that determines the responsibilities of large natural resource companies, even if locals perceive the state as "an alien external force" (Boege & Franks, 2011, p.7). Moreover, as a consequence of the state's power to control land, it is the central government that ultimately determines the conduct of natural resource companies. This includes: the use of security to protect the resource project and supporting infrastructure; the revenue sharing framework, and environmental management processes. In this way, the power to control land establishes the state as the most influential audience and regulator of CSR practice. This is particularly problematic in situations where the state's mandate to negotiate on behalf of affected communities is contested.

The limit of Interdependent Engagement in this regard is that unlike states,

corporations do not have the authority to recognise customary land rights and landowners themselves do not hold sovereign rights to sub-surface resources. As a result, corporations are obliged to abide by the demands of the host state, rather than those of the customary landowners who might share a different legal, political, economic and cultural agenda to that of the central government. Having said this, corporations operating in areas with a history of political and economic marginalisation do have an important opportunity to protect the rights of minority groups. This can be achieved through adding checks and balances to state laws that are considered detrimental to the rights of locals. For example, corporations can challenge the state laws relating to the use of security around extractive projects. This is not an unrealistic expectation as the employment of the state's security forces can lead to allegations of corporate complicity in human rights violations, potentially resulting in litigation, damage to the company's reputation and breaches of the regulatory guidelines stipulated by the financial lenders of the resource project⁴⁵ (such as the World Bank or Asian Development Bank).

What it is being suggesting here therefore, is that corporations' ability to recognise customary land rights is often heavily constrained by the state. However, in recognising the fact that states can fail to balance the rights of minority groups in the pursuit of economic development, corporations may also encounter important opportunities to challenge the state on social and environmental issues. Importantly, this includes the promotion of greater recognition of customary rights to land.

⁴⁵ One example of this will be discussed in Chapter 9 in relation to BP's Integrated Community Based Security Strategy in Papua.

Land ownership and control

The state's failure to recognise customary land rights has been a core issue expressed by the independence movements of Bougainville and Papua. State control of natural resources in Bougainville and Papua stems from the decolonisation processes of PNG and Indonesia discussed in Chapter 5. Reflective of broader political trends in the 20th Century, newly independent states tended to focus on proclaiming national sovereignty through the institutionalisation of modern, Western European legal systems. This led to the subordination of customary land tenure systems and traditional forms of authority that were often seen as impediments to modernisation and nation building (Boege & Franks, 2011, p.6; Kyed & Buur, 2006, p.1). Consequently, the control of natural resources came to be vested in the state so that the wealth it generated could be used for the benefit of the entire nation.

Boege, Brown, Clements and Nolan (2008, p.iii) refer to landscapes which “combine elements of the introduced Western models of governance and elements stemming from local indigenous traditions”, hybrid political orders. Despite efforts to subordinate customary land law, traditional social structures have continued to inform “the everyday social reality of large parts of the population in developing countries even today, particularly in rural and remote peripheral areas” (Boege, Brown, Clements & Nolan, 2008, p.603). The continued importance of customary law in developing countries has resulted in significant contests between landowners and states over the legitimacy of ownership; the appropriate use of land; and entitlements to the benefits it creates. As the Pacific Islands Forum Secretariat (2008, p.47) outlines:

...under customary land tenure, ownership is based on an enduring notion of

inter-generational stewardship or guardianship of the physical property and what it represents to the group. This contrasts markedly with the Western notion of ownership...which is defined in terms of individuals (or commercial entities), physical property and the state.

Conflicting perspectives on land ownership can result in significant volatility in regions with a distinct ethnic identity to that of the majority of the population, or which are geographically distant from the central government. The logic of the state is to use resource wealth for the benefit of the entire nation. However customary landowners do not always believe the state has the legitimacy control their land, nor do they adhere to the logic that the resources extracted should be used to fund the development of the nation as a whole. As Boege and Franks (2011, p.7) argue:

...whereas statutory law governs the deals between companies and governments, customary law still plays a crucial role at the community level. Local populations often perceive the state as an alien external force that is not only physically distant (in the capital city) but removed from their everyday reality.

State ownership of natural resources in some contexts may not be considered fair or legitimate in the eyes of local landowners; however it is generally the state that makes the decisions about the terms and conditions for corporate activity. This establishes a 'framing error' in the conduct of resource extraction in which corporations are generous and responsive to the host state, less so to the local communities directly affected by the resource project. The following section, explains the tensions between the state and customary landowners in Bougainville and Papua, and the consequences

of this on corporate-community relations in these areas.

Bougainville

Customary land tenure in Bougainville

...BCL and PNG government suppressed our traditional beliefs and system. If they entered [according to] our traditional ways, we wouldn't have [had] the crisis (BOU20, Bougainvillean ABG Government Department CEO).

Conflicting perceptions regarding the ownership and control of the minerals extracted from the site of the Bougainville copper mine can be traced to the Australian colonial Administration's view that the Panguna valley was loosely owned and sparsely populated (Oliver, 1973, p.162). According to Oliver, this understanding misrepresented the complexity of landownership on Bougainville, pointing out that for local people there is no such thing as 'wholly free' or un-owned land on the Island (1973, p.162). Oliver claims that while customary land tenure on Bougainville is so complex that "perhaps no two language communities on Bougainville-Buka have exactly the same ideas" (Oliver, 1973, p.162), they all have numerous traditional rules in common:

- different features of the landscape may be owned by different persons, but do not traditionally distinguish surface from sub-surface features in terms of ownership;
- persons owning land tend to be multiple rather than individual;
- in instances of multiple ownership of any land feature, the tenure rights are truly 'joint';

- ownership of the more permanent features of a tract of land changes mostly through inheritance and mainly through women; and
- there is general opposition to unauthorised trespass, but there is generosity in granting temporary use if requested (Oliver, 1973, p.163).

In contrast to the shared tenets of land ownership described by Oliver, the Territory's 1928 Mining Ordinance stipulated that company prospectors did not require the permission of landowners, and specified that the ownership of precious metals was vested in the state for the Territory as a whole (Oliver, 1973, p.163). This clearly contradicted Bougainvillean understandings of shared ownership by local clans, in which no distinction was made between surface and sub-surface rights. As one Bougainvillean landowner explained during an interview held at the Panguna mine,

...they said that everything was for the queen. I wanted to stop them at Kube but they said everything 6ft underground belongs to the Queen (BOU27).

Similarly, a Bougainvillean women's leader and former BCL employee stated:

...because crown law says yours is only on the top. But we believe up top goes rights down. [Now] the PNG government says the bottom belongs to them (BOU27).

Following PNG's independence in 1975, the central government of PNG maintained the state's ownership and control of the minerals extracted from the Bougainville copper mine, and that it would use this wealth for the benefit of the whole nation. Consequently, the state used its power to override customary law in the name of national economic development.

Legal rights for landowners

...BCL said we cannot talk to you. You go and talk to the government and then they will talk to me (BOU20, Bougainvillean ABG Department CEO/Landowner).

The exclusion of Bougainvilleans in the Bougainville Copper Agreement is most evident in the state's marginalisation of locals in important decisions relating to the production of the mine. Their exclusion from the 1967 Agreement meant that local landowners did not have an opportunity to define the obligations with which BCL should comply. Consequently, BCL were only held legally accountable to the state's limited terms of access to land outlined in Chapter 5, affording no legal protection to the indigenous landowners. As a result, BCL became embroiled in local complaints about the central government regarding state denial of alternative land tenure systems and other apprehensions relating to the regulation of the mine.

A particular resentment of Bougainvilleans towards the state was the lack of mining revenue and infrastructure that filtered back to the province. This was compounded by the fact that the PNG Government itself was a significant shareholder in the Panguna mine with a (19.06 per cent) stake. Consequently, the state held a financial interest in maximising the profit of the mine, while also wielding the power to decide what social and environmental damage would be an acceptable trade-off for these profits⁴⁶ (Thompson, 1991, p.76). Thus, while many Bougainvilleans believed that "BCL were

⁴⁶ The issue of contests over resource wealth will be discussed in more detail in the next chapter, but it is raised here in order to illustrate how local interests can often be compromised by the states own 'profit motive'.

willing to listen but not the national government” (BOU11, Bougainvillean Civil Servant), there is only so much the company could achieve without the cooperation of the state.

As a direct consequence of the state’s ownership of sub-surface minerals, the Panguna mine provided a major source of national income, with BCL contributing 16 per cent of PNG’s internally generated income and 44 per cent of its exports between 1972 and 1991 (Thompson, 1991). The problem for Bougainville however, was that very little of this income was channelled back to the island where:

...the roads were not even bitumen and BCL only built roads for where they operated” [BOU11, Bougainvillean Civil Servant].

Thus as Thompson (1991, p.77) states:

...while a large proportion of the financial benefits gained by the national government from mining on Bougainville have been utilized for the benefit of all Papua New Guineans, the social costs have been borne largely by the Bougainvilleans themselves.

The state’s role in complementing Interdependent Engagement in this situation would be to ensure that greater benefits are returned to those affected by the resource project than to citizens elsewhere. As discussed in Chapter 5, one example of where the state could have worked towards this was in the 1974 renegotiations of the Bougainville Copper Agreement. However this Agreement was written during a period of Australian colonial rule where a new state was created for a territory (PNG). This territory actually incorporated numerous peoples ‘states’, each with their own

customs, languages and land tenure systems. Instead of integrating the complexities of this into the conduct of mining on Bougainville, the PNG Government gave Bougainville as a whole a greater share of mining royalties, but not an increase in the control of land. The outcome of the 1974 renegotiation demonstrated to Bougainvilleans the unwillingness of the state to tackle the much bigger problem of Bougainville's land being destroyed for the economic development of PNG. In hindsight, it might have been better to use the renegotiation process to make significant changes in the management and control of the mine and to channel funds into restoring the social and environmental harms on locally negotiated terms.

Papua

Bougainvillean dissatisfaction with the PNG Government's authority to control land has to a large degree been mirrored by Papuan attitudes to the Indonesian state. With the aid of Indonesia's security forces, the Government has been accused of exploiting Papua's resource wealth to fund development in other parts of the nation. Papuans often say that when they go to Jakarta and see all the huge office buildings they begin to understand where the money made from Papuan mines has gone. Comparable to the Bougainville case, Indonesian law has overridden customary land tenure in the governance of mining, oil and gas. Consequently, the Papua case illustrates similar themes to those already discussed for Bougainville: the lack of legitimacy of the state to negotiate on behalf of landowners; the imposition of a foreign land administration system; the lack of trust in the state to protect indigenous rights, and the disproportionate allocation of revenues in favour of the state.

In recent years the Indonesian Government has begun making efforts to ensure greater social and environmental standards for resource companies through state law. Indonesia has become the first country to oblige CSR (Rosser & Edwin, 2010) following the adoption of the 2007 Indonesian Corporate Law No.40 as well as the 2007 Indonesian Investment Law No.25 (Waagstein, 2011, p.455). The Laws deliver on the view that the social responsibilities of business will be strengthened as a legal obligation and not just left to the goodwill of corporations alone. Even though obliging CSR might be a suitable option in theory, there are two key limitations of this approach. Firstly, mandatory CSR does not afford greater recognition of customary land rights. Second, mandatory CSR further entrenches the distributive paradigm of CSR that this thesis argues is insufficient for the meaningful resolution of local grievances.

What is being advocated in Indonesia?

Details concerning mandatory CSR in Indonesia can be found in Article 74 of the 2007 Indonesian Corporate Law No.40. The Article states that:

- Companies doing business in the field of and/or in relation to natural resources must put into practice Environmental and Social Responsibility⁴⁷.
- The Environmental and Social Responsibility contemplated in paragraph (1) constitutes an obligation of the Company which shall be budgeted for and calculated as a cost of the Company performance of which shall be with due attention to decency and fairness.

⁴⁷Environmental and Social Responsibility is defined in Article 1 of 2007 Indonesian Corporate Law No.40 as: "a company's commitment to taking part in sustainable economic development in order to improve the quality of life and environment, which will be beneficial for the Company itself, the local community, and society in general". (cited in Waagstein, 2011, p.459)

- Companies who do not put their obligation into practice as contemplated in paragraph (1) shall be liable to sanctions in accordance with the provisions of legislative regulations.
- Further provisions regarding Environmental and Social Responsibility shall be stipulated by Government Regulation. (cited in Waagstein, 2011, p.459)

The biggest problem associated with clarifying the intent of Article 74 is that the President of Indonesia has not stipulated the implementing legislation (Rosser & Edwin, 2010, p.17). Until such time that the implementing regulations are produced, civil society organisations and business associations will be left to speculate on the direction of the new Laws (Waagstein, 2011, p.465).

A source of this speculation has been the draft implementing legislation outlined during a constitutional court hearing in 2009. In this hearing several business associations argued that CSR should be “voluntary, depending on the size of the firms and in which sectors they operated” (The Jakarta Post, 2009). The presiding judge M. Mahfud M.D dismissed the case arguing that:

...investors, both domestic and private, have to build a harmonious relationship with society and their surroundings...[and that] companies will contribute more to the society and environment if voluntary CSR programs are made mandatory (The Jakarta Post, 2009).

Despite reinforcing state support for mandatory CSR the court hearing provided no additional clarity on the nature and scope of the new laws. This has been reflected in two very contradictory understandings of the draft implementing legislation in two scholarly articles focusing on the new laws. On the one hand, Waagstein (2011, p.461)

claims that:

...according to the governmental plan outlined during the Constitutional Court hearing, the size of CSR fund and fine, its purpose, and its beneficiaries will be determined by the local government depending on the needs of that particular region.

On the other hand, Rosser and Edwin (2010, p.2) claim that:

...the draft of the implementing legislation gives companies full discretion over the activities that constitute CSER [Corporate Social and Environmental Responsibility] and how much to invest in them, effectively subverting the mandatory requirements of Article 74.

The option described by Waagstein would make local government the primary audience and recipient of a 'CSR fund'. In contrast, the option described by Rosser and Edwin predicts that the onus will be entirely on corporations to prescribe their own CSR agenda - with the only mandatory requirement that companies report on their implementation of CSR programs in their annual reports (as obliged under Article 66(2)). Whatever the practical implications, it appears clear that the new laws pertaining to CSR in Indonesia do not emphasise the issues of most concern to locals. More specifically on the topic of this chapter, they do not include greater recognition of customary land rights. Indeed, the debate over mandatory CSR is primarily focused on the issue of how much corporations should spend on CSR, rather than efforts to establish landowners as "as peers, capable of participating on a par with one another" (Fraser, 2000, p.113) in the conduct of the resource project.

Customary land tenure in Papua

As was discussed in relation to Bougainville, the Papuan experience of resource exploitation has been intricately linked to state control of land. The land in question in the Papua case holds particular spiritual and cultural significance (see Ch10). When Freeport arrived in Papua, the Amungme and Kamoro were living rich subsistence lifestyles where their land had both economic and spiritual significance. Land was regarded simultaneously as a source of food, a shelter in time of tribal war and a place to communicate with ancestral spirits (Tebay, 2005, p.11). According to Abrash and Kennedy (2002, p.64), the mountain on which the Freeport mine was developed holds particular spiritual significance in Amungme cosmology, which depicts the mountain “as the sacred head of their mother and its rivers are her milk. To the Amungme, Freeport is digging out her heart”. The permanent alienation of this landscape into the hands of Indonesia, has thus not only contradicted traditional land cultivation practices, but has deeply offended the unique Amungme spiritual ties to the mountain. Indonesian law during the 1960s did in fact recognise customary land rights. However, these rights carry no legal weight in relation to resource development as a result of two clauses in the Indonesian Constitution. Article 33, Clause 2, states that: “branches of production which are important for the state and which affect the life of most of the people shall be controlled by the state” (cited in Sumule, 2002, p.6), while Clause 3 stipulates that; “land and water and the natural riches therein shall be controlled by the state and shall be made use of for the greatest welfare of the people” (cited in Sumule, 2002, p.6). What this means in practice is that “should valuable resources be found on their traditional lands or should the state determine that it requires their

land, then such land automatically becomes *tanah negara* (state-owned land)” (Leith, 2003, p.109),

The fact that the laws of the Indonesian state stipulate that sub-surface minerals can be used for the benefit of the government reinforce feelings of exploitation held by a significant proportion of Papuans. The Indonesian state is seen by Papuans as neither holding the legitimacy to negotiate with resource companies on their behalf, nor demonstrating sensitivity to their culture and spiritual ties to the land. Consequently, the exploitation of Papua’s land for the benefit of the national development of Indonesia has, and continues to be, deeply associated with Papuan calls for independence. For these reasons, Boege and Franks’ (2011) argument that locals often perceive the state as ‘an alien external force’ is also an accurate description of the Papuan context. However the financial interests of the state’s security forces in Papua’s natural resource development (see Ch 9) means that the state is not necessarily physically distant.

Legal rights for landowners

There is no denying the importance of legal protection to landowners in formal agreements between states and corporations. However the fact that the legal basis of these agreements can contradict the cultural significance of land results in contested understandings of the results of these negotiations. As a result, affording landowners greater property rights alone is not enough to guarantee the protection of locals in the process of resource extraction. This has been most evident in recent accusations put forward by three landowning clans residing in the vicinity of BP’s Tangguh LNG project. The landowners argue that the handover of their land was involuntary despite signing a

written agreement relinquishing their customary land rights for the development of the LNG site (Down to Earth, 2005, p.8).

As discussed in Chapter 4, prior to BP's involvement in the Tangguh project, ARCO and British Gas were involved in exploration activities in Bintuni Bay. Following the discovery of significant natural gas reserves, a consultation and negotiation process took place between ARCO and BPMIGAS for the acquisition of land (BP Berau Limited, 2006, p.xxi). ARCO has since been accused of being given access to the customary lands of three landowning communities, the Wayuri, Soway and Simuna without their consent (JATAM 2003, Down to Earth, 2005, p.6).

In BP's resettlement planning document (BP Berau Limited, 2006), the company defends ARCO's acquisition of land, arguing that "from the outset the project recognised indigenous or *adat* communities with special connections to land and resources". As suggested earlier, recognition of traditional rights in Indonesia has historically held little significance, as these customary land rights can be overridden by the state. However it is now a requirement in Indonesian law that land is obtained in consultation with the customary landowners and the establishment of appropriate methods of compensation (BP Berau Limited, 2006, p.46).

The Wayuri, Soway and Simuna communities do not deny that representatives signed the agreement that relinquished their land rights, however they do dispute the terms of the agreement. The clans' core objection is that according to Indonesian law, once these traditional rights are extinguished, they are irretrievable. The landowning groups claim that in signing the agreement they believed land rights would be relinquished for the life of the gas project, not forever. However as BP states, "the law makes it clear

that a traditional land right that has been relinquished cannot be revived or reclaimed by heirs" (BP Berau Limited, 2006, p.45).

As an appendage to BP's resettlement planning document (BP Berau Limited, 2006), the company included the minutes of the Agreement between PERTAMINA/ARCO and representatives of the landowners, dated 20th May and 19th July 1999. The Minutes documented that the:

...landowners irrevocably relinquish the rights to the land, and their *hak ulayat* (indigenous land rights) will become forever null and void. The status of the land is released to the State, so that the Government shall grant the title to the land to PERTAMINA⁴⁸ (BP, 2006, p.265).

The minutes were signed by representatives of all three clans and witnessed by members of the Manokwari local government. Five years later, the three-landowning clans released a statement addressed to BPMIGAS claiming that:

...the Soway, Wayuri and Simuna relinquished land to Pertamina was not legally valid because it did not reflect whatsoever the value we place on land as a source of livelihoods which had been handed down to us through the generations (quoted in Down to Earth, 2005, p.6).

The contested nature of the PERTAMINA/ARCO agreement raises important questions about processes of consent, in particular how much information the landowners were

⁴⁸ PERTAMINA is the Indonesian state oil company which previously held the regulatory function of Indonesia's oil and gas Industry which is now held by BPMIGAS.

given, the language in which the information was provided and how much pressure was placed on the landowners to sign the documents. However the fundamental issue raised by the landowners is that the Agreement does not align with the traditional significance of land in their lives. While ARCO and the Indonesian Government might not have acquired the land in violation of Indonesian land laws, in the eyes of the clans the status of the land remains contested.

The Papuan case demonstrates that even when states enact new laws in an attempt to promote legal certainty, they can also increase uncertainty for the 'social license to operate' for natural resource companies in contexts where land ownership is contested. This can lead to significant implications for the sustainability of mining operations. For example, the conflict that ensued in Bougainville led to the cessation of mining activities altogether. The social issue that BP must now manage is that the Soway, Wayuri and Simuna clans will continue to claim the invalidity of the acquisition of their land from which the company profits significantly.

Since the core complaint of these landowners is related to the permanent alienation of their land, the mandatory CSR paradigm that Indonesia has adopted is unlikely to encourage BP to resolve this conflict. This is because the landowners are not seeking greater levels of compensation or more community development projects. Rather, as the landowner's argue:

...the community development projects and plans about new settlement and proposed community fund are part of BP's social commitment as set out in the Environmental Impact Assessment. They are nothing to do with the issue of the status of land that we are demanding (Down to Earth, 2005, p.6).

Unless BP and the Indonesian Government work hard to tackle the underlying issues associated with the status of land, no revenue or community development package will be considered sufficient recompense by the landowners. Indeed, demands for changes to state law to return the legal ownership of the land to the traditional owners fall within the remit of governments, not corporations. However, a voluntary approach to CSR (that is not driven by the interests of the state) opens a significant opportunity for BP to contribute to peaceful development in Papua. It may be possible for BP to use its financial and political influence to lobby Jakarta for greater recognition not only of traditional landowning rights, but also the importance of land to the cultural identity of Papuans. In this way, voluntary CSR can be used to promote status equality, feeding into the resolution of justice claims for recognition as articulated by Fraser (2000, p.113). As is demonstrated in the Papuan case, such claims for recognition can hold equal, in some cases more, weight in the peaceful resolution of local resentments of resource extraction.

One practical example that BP has mentioned it is willing to take in the pursuit of Papuan claims for recognition, is to approach the Government to reverse the irrevocability of *hak ulayat* and to return these rights to the landowners once the Tangguh project has been completed (BP Berau Limited, 2006, p.69). It is too early in the life of the project to evaluate BP's efforts to translate this commitment into action. However the history of resource development in Papua indicates that if BP does not handle this conflict successfully its corporate image will become increasingly enmeshed in, and tarnished by broader Papuan struggles for *merdeka*.

Resource politics as state politics

...Indonesia doesn't see us as real Indonesian citizens. They just use us for what they need in Jakarta (Papua29, Religious leader).

Comparably again to Bougainville, the state's ownership and control of Papua's natural resources has been further complicated by the fact that the Indonesian Government draws significant financial profit from the Freeport and BP projects. Consequently, the state and its security forces (see Ch 9) have a strong interest in maximising the profits of the two resource projects, and simultaneously wield the power to decide what social and environmental damages are acceptable for the benefit of all Indonesians.

As detailed in Chapter 5, during the period 1991-2000 Freeport paid an average of US\$180 million in taxes and revenues to the Indonesian government each year, making it Indonesia's largest taxpayer (Tebay, 2005, p.19). In regards to BP, current estimates suggest that the Indonesian Government will earn nearly US\$9 billion from the Tangguh LNG project from 2006-2030, of which US\$3.6 billion will go to West Papua⁴⁹ (Tebay, 2005, p.19).

On the face of it \$3.6 billion to the province of West Papua and \$9 billion for the whole nation might not appear inequitable. However there have been significant problems in ensuring that these resources trickle down to locals and are not siphoned off by a corrupt political elite. In the next chapter we will see that despite Jakarta giving

⁴⁹ The revenue sharing framework between the newly divided provinces of Papua and West Papua under Papuan Special Autonomy Law No. 2001 will be discussed in the next chapter.

Papuans a generous share of these revenues under Papuan Special Autonomy Law (80 per cent from forestry, fisheries and mining, and 70 per cent from oil and gas exploration), the implementation of this law is widely considered to have failed (Hernawan, 2011).

Indeed akin to the early responses of the PNG Government towards Bougainville, Indonesia has attempted to give Papuans a greater share of revenues without simultaneously engaging with broader disputes over the recognition of customary land and the social and environmental problems caused by resource development. The limitation of state mandated CSR to foster peaceful resource development demonstrated by the Papuan case is that while the central government is receiving the lion's share of the natural resource revenue, they are unlikely to be motivated to prioritise the protection of local landowner rights.

Conclusion

This chapter has argued that as a result of the state's ownership and control of natural resources in Bougainville and Papua, BCL, Freeport and BP have been generous and responsive to the interests of the central governments of PNG and Indonesia. In this way, resource development companies are seen by local communities as acting to endorse and further entrench the state's denial of customary land tenure. Evident here is the denial of the capacity for locals to define what makes up 'the social' for themselves. While the social is "imagined to be a limited specific domain" (Latour, 2005, p.8) by corporations, it might more accurately be conceptualised as a fluid, complex and heterogeneous web of associations (Latour, 2005, p.8).

The denial of this complexity has been a core objection of both the Bougainville and Papua independence movements. Although the state is ultimately responsible for promoting peaceful development, it has been argued that corporations should, where possible work to promote minority rights in the face of central governments' pursuit of national development. As the Bougainville and Papua cases illustrate, without this level of engagement there is a high risk that the companies will become caught up with broader political struggles against the nation state. It also increases the risk that resource projects will be shut down altogether.

An important observation is this chapter was the state's control of natural resources often results in the inequitable distribution of resource wealth. In the following chapter, regional inequality in Bougainville and Papua will be explored more extensively. It will be argued that even though a logical solution to this issue may appear to centre on providing landowners a greater share of mining royalties, these funds can distort local relationships and create new internal divisions over access to resource wealth.

Chapter 7: Hierarchies of Revenue and Compensation

Site of interdependence	Disengaged (CSR as it mostly is)	Engaged (CSR reconfigured)
Regional inequality & contests over resource wealth	Corporations treat local communities as an homogenous entity and are not conscious of the problems associated with different levels of compensation	Corporations acknowledge diversity in the ways local communities are affected by resource development, but are conscious of the dangers in creating hierarchies of compensation

Chapter 6 highlighted several issues associated with the perceived inequitable distribution of resource wealth in favour of the central governments of PNG and Indonesia, over the resource producing regions of Bougainville and Papua. This chapter delves into these issues more deeply by introducing the third site of interdependence: regional inequality and contests over resource wealth. The problem exposed is that addressing tensions over regional inequalities is more complex than simply giving locals a greater share of resource wealth. In the absence of critical engagement with the ways in which resource wealth can distort local relationships, funnelling additional revenue back to the resource producing regions is an insufficient mechanism to avoid conflict (Ross, 2009, p.3).

This chapter will demonstrate that the potential to avoid conflict is contingent not only on the level of wealth distribution, but also on *how* this wealth is distributed. In other words, the 'how' is as important as the 'how much'. For example, symbolic reparation for damage to land with specific spiritual significance to locals (see Ch 11) can be as important as, or more important than material reparation for mining activities.

Analysis of and comparison between BCL, Freeport and BP's revenue sharing and compensation procedures, reveals how the companies have created and/or exacerbated a number of critical internal divisions. These divisions can most accurately be mapped according to a three-layered hierarchy: national, provincial and local. This chapter will show how important divisions in Bougainvillean and Papuan society have been created at each of these levels.

This chapter uses the lens of hierarchies of compensation and regional inequality to further develop the broader argument of this thesis as a whole, that distributing material resources to local communities is not enough to resolve local grievances and contests over natural resource development. Quite the contrary, material resources have the potential to ignite, prolong and exacerbate conflict when they are distributed without a simultaneous engagement with their effects on local sources of injustice and tension.

The economic drivers of conflict

As discussed in Chapter 3, since the 1990s, there has been a flood of scholarship on natural resources and civil war (Ross, 2009, p.337). This scholarship was stimulated in part by Paul Collier who argues that, "economic agendas appear to be central to

understanding why civil wars get going. Conflicts are far more likely to be caused by economic opportunities than by grievance". The logic of Collier's argument is that "if economic agendas are driving conflict, then it is likely that some groups are benefiting from conflict and that these groups therefore have some interest in initiating and sustaining it" (1999, p.1). Thus, instead of the more popular emphasis on the grievances associated with the exploitation of natural resources, Collier argues that economic factors are the main drivers of conflict, with some small identifiable groups directly profiting from the violence. This 'greed' hypothesis points to the potential for civil wars to be created by individuals or groups who attempt to loot the resource in order to finance a rebellion movement, thereby funding the start-up costs of an insurgency or extending the duration of the conflict (Ross, 2004b, p.39). In this way, the greed hypothesis does not:

...suggest that rebels launch a conflict in anticipation of resource wealth;
rather...that rebels use looted resource wealth in the prewar phase to buy arms
and hire soldiers - thus funding the "start-up costs" of initiating a rebellion
(Ross, 2004b, p.40).

While individuals or groups of individuals might not launch a conflict in anticipation of siphoning off resource wealth, the presence of resource wealth may extend conflict by providing a financial incentive for continued violence. In relation to the Bougainville case for example, key members of the BRA continued the push for independence from PNG because they believed an independent Bougainville was fiscally possible through re-opening the mine (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.23). Thus, while Francis Ona's initial attacks on BCL property might be perceived as an attempt to

close the mine forever, Ona was also motivated to achieve a fairer financial deal for landowners and for Bougainville as a whole (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.23).

Other actors, such as state security forces or foreign mercenaries, might be more be directly motivated by greed and trigger violence as a means to financial gain. Another example from the Bougainville case are the efforts of Sandline International, a British based private military company that convinced several members of the PNG Government in the mid 1990s to contract services to 'blast' the leadership of the BRA (Dinnen, 1997, p.70). Sandline was motivated to engage in the Bougainville conflict not only for payments for services provided to the PNG Government (US\$25 million), but also by the promise of a future stake in the mine if Rio Tinto were willing to sell their share.

According to Braithwaite, Charlesworth, Reddy & Dunn (2010, p.43), paradoxically, "Sandline's resource diplomacy played out to shorten the war" and catalysed a peace deal on Bougainville. Chapter 9 will discuss yet another example of military spoilers in the case of Papua, where the Indonesian security forces are widely believed to have instigated attacks in the vicinity of Freeport's mining area as part of a protection racket to guarantee ongoing security payments.

Aside from the greed thesis set out by Collier, Haysom and Kane (2009) reveal a number of important links between large natural resource companies and host country economies that can heighten the risk of civil war. These are:

- the unequal distribution of resource revenue;

- inaccurate procedures for identifying landowners;
- opportunities for corruption;
- the uneven distribution of revenues locally;
- the creation of new social problems (such as substance abuse and crime); and
- the creation of new class structures.

In Bougainville and Papua, there is evidence of all six of these problems associated with the distribution of resource wealth generated by the BCL, Freeport and BP projects. This chapter aims to flesh out the links between the distribution of resource wealth and conflict. Drawing on the regional work of Colin Filer and Glenn Banks, it explains how the distribution of wealth in Bougainville and Papua has resulted in important changes in the relationships between individuals, groups, and local environments (Filer, 1990, p.190). It begins by outlining the iterative design of the resource companies' compensation and revenue sharing procedures. This is followed by an explanation of how these procedures have created contests over resource wealth in Bougainville and Papua.

Bougainville

The early stages (1963-1966)

The first compensation policies of BCL were determined by the Australian Administration under the 1963 Prospecting Authority and the 1928 Mining Ordinance (Bedford & Mamak 1979, p.3). Under this legislation, the only compensation payments to be made directly to landowners related to damaged trees, gardens and other

personal property destroyed by the company prospectors (Connell, 1991, p.61; Bedford & Mamak, 1979, p.7). Consequently, compensation payments during this period were quite low and were negotiated by landowners and company prospectors without external mediation.

Once the Administration and the company decided to go ahead with the mine, more formal procedures for the distribution of compensation were deemed necessary. Subsequently, in 1966 the Australian Government amended its 1928 Mining Ordinance to grant the company three mining leases that included the port mine access road, the special mining lease, and the tailings area around the Kawerong-Jaba river system. The 1966 amendment to the *1928 Mining Ordinance* incorporated the following provisions for compensation:

- Damage to surface and improvements
- Loss of surface rights and access
- Consequential damage
- Formalisation of procedures through the Mining Warden
- Payment of occupation fees of 5 per cent unimproved value (Quodling, 1991, p.47).

As discussed in Chapter 6 the revenue sharing formula that favoured PNG as a nation, rather than Bougainville specifically, was one of the earliest local complaints directed towards the company and the Administration. Protests against the agreed revenue sharing formula gained political momentum when Bougainville's House of Assembly member, Paul Lapun, lobbied the Australian Government to obtain a better deal for

landowners. Lapun's main concerns were that under the 1966 Mining Ordinance amendments Bougainvilleans were only entitled to compensation for minor damages, and that the amendments included no coherent plan to safeguard the economic rights of locals (Thompson, 1991, p.75). To address these issues Lapun introduced the Mining New Guinea Bill No.2 in 1966, "which proposed that 5 per cent of royalties which the Administration would receive from the company should be paid directly to landowners" (Cooper, 1991, p.58).

As discussed in Chapter 4, the problem with Lapun's proposition was that his views on the how mining should be progressed on Bougainville were not shared by all landowners. Further, at this time there was no individual or representative body, which had the authority to represent all landowners. Lapun can be seen to have been in the impossible position of trying to represent the interests of both landowners who welcomed the mine, and landowners that simply wanted the company to go away.

The earliest discussions regarding the distribution of wealth from the Bougainville copper mine were deeply entwined with conflicting views over Bougainville's future, and particularly the role of mining. The increased fiscal compensation for Bougainvilleans negotiated by Lapun under the 1966 amendments to the Mining Ordinance had little hope of alleviating the concerns of the landowners who opposed the mining project under any circumstances.

The construction and production period

Despite considerable opposition to the development of the mine, the Australian Government passed Lapun's proposed amendments to the 1966 Mining Ordinance and

the Bougainville Copper Agreement was passed a year later (Cooper, 1991, p.58). Despite the more favourable terms won by Lapun, the inaccurate procedures used to identify landowners meant that the royalty distribution agreement still became a key factor contributing to conflict (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.16). As Wesley-Smith and Ogan (1992, p.256) claim, neither the company nor the Administration took:

...into account the traditional hierarchy of land rights that served a different mode of production. Thus, villagers who had subsidiary claims under traditional tenure systems received much less than those who were regarded, however correctly, as primary right holders.

In spite of the fact that the 5 per cent of the Government's royalty of 1.25 per cent represented a relatively small amount of money, the way in which it was distributed contributed to the unequal distribution of revenues in "an area that had previously been categorised by a relative egalitarianism" (Wesley-Smith & Ogan, 1992, p.259).

Former CEO of BCL, Paul Quodling (1991, p.46), has defended the company's early compensation policies on the basis that "there was little in the way of precedents throughout developing countries and virtually none within the Melanesian landownership culture". Whether previous business experience in Melanesia would have resulted in a deal more conducive to peace in Bougainville is open to speculation. What can be said in hindsight is that two crucial mistakes were made during this period. Firstly, both the company and the Administration lent too heavily on the views of a single Bougainvillean, Paul Lapun who had not been vested authority to represent the views of all landowners. Second, the distribution of payments was not designed

with regard to Bougainville's customary land tenure system (see Ch 6).

Despite the problematic nature of the compensation agreement, the construction of the mine commenced, leading to dramatic and sudden social and environmental changes in Bougainville. Alongside these changes, landowners began claiming compensation for a diverse range of damages at higher rates than the 1966 Agreement specified. For example, Connell claims that during the period 1969-80, compensation was made available to landowners for crops, resettlement, nuisance, land occupation, pollution (of rivers and fish), and loss of bushland (Connell, 1991, p.61-2). Bedford and Mamak (1979, p.41) further claim that BCL was required to build houses for relocated villagers in permanent materials, develop road access, construct a church and provide water tanks.

Payment for these facilities, which totalled around AU\$75,000 (Bedford & Mamak, 1979, p.42), were originally provided by the Administration upon application by landowners to the Mining Warden. However BCL later established a Village Relations Department to handle the distribution of funds to affected villages. Compensation mostly occurred in the form of one-off cash payments, with the most substantial payments made to villagers living directly on the mine site or along the Jaba River valley (Connell, 1991, p.62).

The method of providing one-off cash payments proved problematic. A large proportion of these payments were used for short-term ends (Connell, 1991, p.63; Quodling, 1991, p.52), and landowners considered 'one-off' arrangements to be an inadequate form of compensation for the loss of cash crops that would have generated income throughout the period of the mine's operation (Connell, 1991, p.63). There was

also confusion on the Island about the nature and capital value of these payments. As Bedford and Mamak (1979, p.3) claim, there came to be a:

...widely held belief on Bougainville that very large sums are being paid annually to people living near the mine. On the other hand, others claim that those Bougainvilleans in the lease areas are receiving virtually nothing in the way of compensation.

These conflicting perceptions are also reflected in the Bougainville data collected for this study. For example, a Bougainvillean civil servant claimed:

...landowners were paid like the dole in Australia. They had everything they wanted. They became lazy. We regarded them as wealthy (BOU36).

On the other hand, a former Bougainvillean employee of BCL stated:

...towards landowners they were not benefiting too much. The national government was benefiting. The rate was too low to the locals who own the land (BOU22, former BCL employee).

These statements point to the communication problems that tainted the distribution of compensation payments amongst Bougainvilleans. They highlight the lack of transparency on behalf of the company regarding the amounts of money distributed, to whom and for what reasons. Despite these obvious problems, neither BCL nor the Administration developed adequate solutions, and the distribution of wealth became more and more problematic as mining progressed.

Bougainvillean concerns about the distribution of revenue between Bougainville and

the central government of PNG escalated a major debate in 1974, just prior to PNG's independence. As discussed in Chapter 6, in response to Bougainvillean criticisms, Michael Somare granted Bougainville a share of the mining royalties via the newly formed North Solomon Islands Provincial Government. Despite giving the Provincial Government a share of the royalties, the 1974 renegotiations did not result in tangible benefits for villages living outside of BCL's mining lease areas. Consequently, tensions began to emerge over the uneven development of Bougainville.

As discussed in Chapter 4, BCL initiated a new compensation package in 1980 supplementary to the 1974 Agreement with the PNG Government (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.17). This package was to be distributed through the Road Mining Lease Trust Fund, governed by an executive committee that included several members of the PLA (Thompson, 1991, p.82). The aim of the Fund was to generate a source of revenue for Bougainvilleans once the mine ceased operation (Connell, 1991, p.65; Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.17), and would also be used to provide assistance for education, health and other basic services (Thompson, 1991, p.82).

The Trust Fund was seen as a logical response to tensions between Bougainvilleans over unequal development; however it too gradually became a source of antagonism, with conflict igniting between the executive and other landowners (Thompson, 1991, p.82). According to the Bougainville data, landowners held three core grievances about the Fund. First, it diverted revenue away from landowners and into projects geographically distant from the mining lease area. Second, under the Trust Fund arrangement, landowners did not enjoy immediate benefits. Finally, a younger

generation of landowners believed the executive were siphoning off funds for their own benefit. As a Bougainvillean landowner explained:

...The money was being paid into the Road Mining Lease Trust Fund... What was happening was the money was not being paid directly to the landowners but to the Trust Fund. We asked, 'why isn't the Road Mining Lease Trust setting up benefits for what BCL was paying into their accounts?'. There was an expectation that anything to do with disruption to landowners should have been paid direct to the beneficiaries (BOU20, ABG Department CEO/Landowner).

Following continued speculation that the Trust Fund's management was "corrupt and self serving" a coup took place in 1987 "with the old PLA being replaced by a new group of mostly young people led by Perpetua Serero and Francis Ona" (Thompson, 1991, p.83). As discussed in Chapter 5, Ona then demanded the sum of 10 billion kina for environmental damage, as well as a 50 per cent share of the mine's revenue. When these demands were not met, violent attacks on the mine ensued.

Greed vs. grievance

Various experts of the Bougainville conflict have applied the greed vs. grievance debate discussed earlier in this chapter. These scholars (Regan, 2003; Banks, 2005; Filer, 1990) share the view that the young landowners were not motivated by greed. For example, Regan (2003, p.134) claims that:

...although grievances about the distribution of mine revenue were central to the origins of the conflict, the conflict was not primarily about rebel access to

the wealth of the mine, nor did that wealth provide funding needed to make the rebellion more viable and thereby continue to its presence.

Further, Banks (2005, p.187) argues that although there were calls for money, "this was less a call for a greater share of resource rents and more a statement that no amount of money would satisfy their grievances". As such, the dominant thesis in the literature on Bougainville is that although some individuals in Bougainville's opposition movement might well have been motivated by greed, it was not the dominant driver. Instead, as Regan argues:

...local grievances about the impact of mining operations and the way its revenues were allocated fed into a long-standing sense of cultural and political exclusion felt by Bougainvilleans precipitating armed conflict (Regan, 2003, p.134).

As the greed vs. grievance framework provides a limited lens through which to consider the nature of the conflict in Bougainville, scholars such as Filer (1990) and Banks (2005) have built on the framework by including a cultural analysis of the influence of Melanesian ways of being in the distribution of resource wealth. Banks, for example, argues that the greed vs. grievance polarity limits our understanding of Melanesian resource conflicts, which might, "be more accurately mapped around notions of identity: individual, group and region" (Banks, 2005, p.188). Similarly, Filer suggests that resource conflicts in PNG are not primarily about greed or grievance but are "more centrally about the changes that occur in relationships between individuals, groups, and local environments" (Filer, 1990, p.190).

Banks and Filer thus consider the distribution of resource wealth as a single factor that generates a broader reconfiguration of local space. Mirroring Latour's (2005, p.1) theory of the social, the local community is not "a stabilized set of affairs". This idea is backed up by the Bougainville data collected for this study, which indicates that BCL's distribution of compensation and revenue has led to the creation of new internal divisions that can be mapped according to a 'hierarchy of revenue and compensation'. In Bougainville, the interview data indicates the establishment of a three-layered hierarchy.

National level division - Bougainville

The first division is created at the national level between PNG and Bougainville and stems from the small amount of wealth channelled back to Bougainville compared with the central government. As discussed earlier, this unequal distribution exacerbated strong feelings of resentment that Bougainville's land was being exploited for the development of other provinces of PNG. As a Bougainvillean women's leader claimed:

...the national government was looking to develop other provinces. I don't know why they did it. I was always talking about roads...they were never built like they were in Rabaul. They are important for access to services. Women are still carrying 'vegies' on their back (BOU33).

Provincial level division - Bougainville

The second division was created at the provincial level with tensions evolving between landowners from the mining lease area and Bougainvilleans more broadly. The key

driver of this division was the perceived lack of development for Bougainville as a whole, in contrast to the landowners. While the impact of resource extraction was most intense and visible for the directly affected local landowners, the impacts of the mining project were not limited to people from BCL's mining lease areas. One Bougainvillean women's leader expressed it this way, the compensation regime,

...benefited only the surroundings [of the mine]. It didn't benefit us. That's when the problem started. Big damage was done on the outside too" (BOU26, women's leader/religious leader).

As will be discussed in more detail in Chapter 8, regional tensions can be traced to communication problems associated with BCL's Village Relations Department who *"didn't voice the concerns of all Bougainvilleans"* (BOU19, Bougainvillean Landowner). However, some argue that the problem was also connected to the focus of BCL's contributions to community development, which primarily targeted district level projects rather than local village improvements. For example, most of the infrastructure projects initiated by BCL were located in the town area of Arawa. This meant that the benefits were primarily experienced by those closely associated with mining operations, rather than those residing in the villages.

According to my fieldwork observations, there are two ways in which Bougainvilleans believe BCL and the Government could have contributed to equitable development on Bougainville. Firstly, through the construction of sealed roads and secondly, by providing broader access to health and education. This is illustrated in following quotes:

...The roads were not built. The only bitumen bit was from BCL to Loloho...Bougainville has no roads and there are pot holes (BOU17, Bougainvillean former employee of BCL)

...The government never contemplated asking the company to build roads outside of the mining lease (BOU34, Bougainvillean former employee of BCL).

...Health and schools should have been improved. Only the best hospital was in Arawa, not in Buka or in the villages. They should have thought of equal development. When the mine was open, they should have looked at communities and asked how they can sustain their lives (BOU33, Bougainvillean women's leader).

Local level division - Bougainville

The third division created by the revenue distribution framework operating on Bougainville took place at the local level between landowners themselves. This mainly occurred in the form of generational disagreement about how local concerns should be communicated to BCL management, and in relation to the operation of the Road Mining Least Trust Fund. As a Bougainvillean former employee of BCL stated:

...the Trust Fund was managed by the landowners. That broke the conflict with old and young" (BOU6 Bougainvillean Civil Servant/ Former employee of BCL).

Another issue that triggered intergenerational disputes among Bougainvillean landowners was the perception that the older generation were reaping the financial rewards of the mine, at the expense of the young. According to an executive of BCL,

this problem emerged when landowners stopped sharing the compensation payments equitably amongst themselves:

...they [the old PLA] would only get the compensation they were entitled to from the Bougainville Copper Agreement but there were accusations that they weren't giving that money out (BOU1, BCL executive).

This view was supported by some of the Bougainvilleans interviewed, who claimed that:

...the problem was that they weren't sharing with families, only certain members of the family" (BOU12, Bougainvillean peacemaker).

Further, over the life of the mine, BCL's compensation and revenue sharing procedures can be seen to have resulted in a number of important internal divisions. In some instances the three key actors, (BCL, the Australian Administration and the PNG Government) made crucial mistakes, which resulted in tensions between locals over access to resources. However in other cases divisions were created by the fact that these actors distributed resources without an awareness of how these resources would impact local social dynamics.

Papua

Freeport

While serious flaws in the Bougainville Copper Agreement can be identified, Freeport's Contract of Work with the Indonesian Government was even more problematic

(Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.71). Unlike BCL, which was required to compensate local landowners, Freeport was not required to pay any compensation to the Amungme and Kamoro people (Leith 2003, p.61). Rather, as discussed in Chapter 5, the 1967 Contract was mainly concerned with encouraging foreign investment in Indonesia, and providing a source of revenue for the Suharto regime. However, while Freeport did not provide cash compensation in the early days of its mining activities, it has participated in extensive community development work since the mid-1990s.

Much of Freeport's contributions to the Amungme and Kamoro peoples have been in the form large cash payments towards community development and infrastructure projects. This blurring of the boundaries between compensation⁵⁰ as opposed to community development⁵¹ has made it difficult to analyse Freeport's compensation procedures. The pattern of merging cash payments with community development was initially established in an agreement between Freeport and leaders of the Wa Valley in what is referred to as the 1974 January Agreement. Responding to requests from the Amungme people for 'dialogue', the company pledged to construct community facilities such as schools, clinics and markets in exchange for their approval of mining activities (Abrash, 2001). According to Mealey (1996, p.303-4), six chiefs affixed their thumbprints to a document sealing the exchange of land under the terms set out in the 1974 January Agreement. However, according to several reports (ICG, 2002; Abrash,

⁵⁰ Compensation is defined as money given to compensate loss or injury, or for requisitioned property (Shorter Oxford English Dictionary, 2002, p.467).

⁵¹ Such as contributions to infrastructure, social and economic development projects which may or may not be motivated by a need to repair harm.

2001), the affected villagers “did not find out until 1995 that, according to state records, they had ceded a million hectares of land for development” (ICG, 2002, p.17-8).

Given that the Chiefs ‘signed’ an agreement that they were unable to read for themselves, the conditions under which the January Agreement was brokered certainly left considerable scope for misunderstanding. It is quite possible that the Chiefs had not been adequately informed about the contents of the Agreement. Despite this, Freeport considered the January Agreement a victory for *hak ulayat* in Indonesia, as it represented the first formal recognition by the Government that Papuans had a right to compensation (PT Freeport Indonesia, 2008, p.37).

According to Freeport, the compensation set in place by the January Agreement has been paid to the landowning communities in the form of *rekognisi* (recognition) payments towards mutually agreed projects to benefit the community⁵² (PT Freeport Indonesia, 2008, p.37). However, the extent to which these payments have been mutually agreed is contested. As a Papuan Human Rights worker stated:

...Freeport had done something considered compensation for land but the local community view is that this is not compensation – it’s just decided by Freeport themselves - no discussion (Papua22, Human rights worker).

Following the discovery of the Grasberg mineral deposit, there was a dramatic increase

⁵² According to Freeport (PT Freeport Indonesia (2008, p.37), there are currently two on-going *rekognisi* payments: the Kamoro village recognition program and the *Tiga Desa* (three villages) Development Program (for the Amungme tribal group).

in both mining activity and national and international attention on Freeport's operations in Papua (Ballard & Banks, 2007, p.7). As discussed in Chapter 5, Freeport was required to sign new contracts with the Indonesian Government in 1991 and 1994 in order to develop the Grasberg discovery. Although the Indonesian Government was considerably savvier in setting the terms of the Grasberg contract for national benefit than they had been in 1967, the economic rights of indigenous Papuans remained a low priority. As such, Freeport's financial contributions associated with the Grasberg mine have been primarily initiated in response to a number of violent incidents surrounding the Freeport area in the 1990s rather than state legislation.

Freeport's 'community development' response to incidents of violence around the mine reflects the company's unwillingness to meaningfully engage with the deeper issues that prompted the violence. While community development can be considered a worthy CSR practice generally, the violent episodes that have erupted around the Grasberg mine site have not been triggered by local dissatisfaction with levels of community development. Rather, local protests directed at Freeport have focussed on concerns about the militarisation of the Freeport area, and associated human rights violations (see Ch 9). For example, Freeport's largest community development response occurred in 1996 following a three-day riot that resulted in damage to Freeport facilities and the death of three people (Leith, 2003, p.102). According to Ballard (2001, p.27), these riots were directed at Freeport's security department in response to the injury of a Dani man who had been hit by a Freeport vehicle. The incident heightened international scrutiny of the company by international organisations such as the Australian Council for Overseas Aid, which began releasing reports on human rights conditions in the area. Subsequently, Freeport came under

stronger pressure from both Jakarta and international NGOs to find solutions to local concerns about the mine (Leith, 2003, p.104).

In response, Freeport initiated a Land Rights Trust Fund. As discussed in previous chapters, this Fund became known as the One Per Cent Trust Fund as it involved a commitment by Freeport to distribute one per cent of its annual gross revenue annually over each of the next ten years (Leith, 2003, p.105). While the Land Rights Trust Fund is now only distributed to the Amungme and Kamoro tribes, the one per cent was initially allocated to seven tribal groups in the region (Soares, 2004, p.136).

According to Soares (2004, p.136), “before the disbursement of the One Percent Trust Fund, Freeport encouraged the indigenous communities to establish ‘NGOs’ [to represent each of the seven tribes] in order to administer disbursements from the Trust Fund”. However according to Ballard and Banks (2007, p.21), the Indonesian security forces high jacked this process and appropriated a portion of the funds under the guise of assisting the equitable distribution of the Fund to the indigenous communities. The authors claim the Indonesian security forces did this by insisting that:

...the fund be disbursed among all of the neighbouring ethnic groups, the so-called ‘seven suku [tribes]’. By putting forward their own clients as leaders of these groups, individual security units were able to siphon off the lion’s share of the benefits earmarked for the indigenous communities. (Ballard & Banks, 2007, p.21)

While Freeport did eventually decide to narrow the beneficiaries of the One Per Cent

Trust Fund to the Amungme and Kamoro peoples, this led to a clash between the Amungme and the Dani (one of the seven tribes), in which eleven people were killed (Soares 2002, p.136). Following these clashes and due to a number of other social problems associated with the One Per Cent Trust Fund, the Amungme tribal council (*Lembaga Adat Masyarakat Amungme*, LEMASA) eventually refused to accept money from the fund at all. The reason, Abrash (2001) claims, is that the Fund was considered a bribe on the part of Freeport for its 'social license to operate'. As one LEMASA representative stated, "with the help of God we shall never [succumb] to the offer of bribes, intimidation or [be] dishonestly induced into accepting PT Freeport Indonesia's "Settlement Agreement"" (anonymous, cited in Abrash 2001). This characterisation of Freeport's payments was also reflected in my fieldwork observations where Papuans described the One Per Cent Trust Fund as 'blood money' distributed by Freeport under duress. As a Papuan activist stated:

...Local people pressured the company and [Freeport] decided to give one per cent of profit and was announced to the world as compensation to local people. But [it] was blood compensation. If they really wanted to do it, why didn't they do it from the beginning? (Papua5).

Despite the many issues associated with the Fund, Freeport continued to inject large amounts of money into the Papuan community, with some estimates that by the end of 2000, \$66.1m had been committed (Leith, 2003, p.105). In 2008, Freeport (PT Freeport Indonesia, 2008, p.39) claims that it committed another \$34.6m to the Fund, but initiated changes in the way the resources are distributed. According to the new arrangement, the Fund is managed and distributed by the Amungme and Kamoro

Community Development Organisation (*Lembaga Pengembangan Masyarakat Amungme dan Kamoro*, LPMMAK) which was established by Freeport in 2002 with the aim of sharing responsibility for the distribution of the funds among local government agencies, church leaders and indigenous peoples.

The procedure for distributing allocations from the Fund involves the Amungme tribal council (LEMASA) and the Kamoro tribal council (*Lembaga Musyawarah Adat Suku Kamoro*, LEMASKO) submitting proposals for services to LPMMAK. The LPMMAK board then decides which projects will receive funding. The main criticism from within these organisations is that while LPMMAK is ostensibly independent from Freeport, the company still controls how the money is spent. As a representative of one of these organisations stated:

...I agree that the money be given to LPMMAK but not if Freeport is controlling the money. Just leave LPMMAK independent and we will arrange it...so people can say LPMMAK is not a department of Freeport but is independent (Papua26).

BP

The initial compensation procedures for the Tangguh LNG project were quite different to those developed by Freeport. In the 1990s ARCO and British Gas conducted exploration activities, which resulted in the felling of sago, nipa palms and small trees (BP Berau Limited, 2006, p.54). BP claims that the companies agreed to pay compensation for these damages in the form of a single lump sum payment of approximately AUD\$7,800 to the affected communities that was distributed among clans by a village leader (BP Berau Limited, 2006, p.61).

Once the location for the Tangguh project had been decided, more extensive negotiations took place regarding the appropriate form of compensation. According to BP (BP Berau Limited, 2006, p.55-6), several meetings were then held between the companies, the resettlement affected communities, community advisors and the government to negotiate the compensation procedures. As discussed in Chapter 4, BP was particularly concerned about the possible social problems that could result from a sudden injection of large amounts of money:

...it became clear that a compensation package comprising cash and in-kind benefits would be the most effective way of addressing the complex social and cultural issues associated with the land tenure and use rights affected by the Project (BP Berau Limited, 2006, p.55-6).

In terms of the cash payment, it was agreed that BP would award a lower rate of cash compensation to that stipulated under the Decree of Manokwari No. 213 of 1999 which had guided negotiations for compensation between locals and logging companies in the area. According to the Manokwari Decree, compensation was calculated at IDR30-50/m². In contrast, it was decided that IDR15/m² (USD\$0.0015/m²) would be awarded to the landowning clans in the vicinity of the Tangguh project. This would be in conjunction with an 'in-kind' compensation package which included items such as new houses, clean water and community facilities.

However a number of Indonesian NGOs have issued a letter to BP disputing the claim that the compensation was an agreed amount, and suggest that the indigenous landowners continue to be unsatisfied with the compensation arrangements established in 1999 (WALHI, JATAM & KAU, 2005). Therefore, similar to Freeport's

1974 January Agreement, while leaders of the landowning clans in the 1999 Agreement signed documents 'agreeing' to the exchange, the outcome of the negotiations has since been challenged.

An important difference between Freeport and BP was that in order to gain the financial lending necessary for the development of Tangguh, BP was required to follow international regulations regarding indigenous people and involuntary resettlement. As such, a publically available Resettlement planning document (BP Berau Limited, 2006) was developed for the Tangguh project according to the World Bank Groups Operational Directive 4.30 and the Asian Development Bank's policy on involuntary resettlement. The resettlement planning document outlines the compensation procedures for lost assets and income; assistance for relocation; the provision of appropriate housing, land, and infrastructure comparable to what the relocated villagers would have without the project; as well as the impacts of resettlement (Asian Development Bank, 2011). The logic underlying the resettlement planning process is to achieve at least the same level of wellbeing for resettled households as would have been in place if resettlement had not taken place (BP Berau Limited, 2006, p.xxii).

Once the project's exploration phase was complete, it was decided that the optimal site for the Tangguh LNG plant was the southern shore of Bintuni Bay in an area occupied by the Tanah Merah village⁵³ (BP Berau Limited, 2006, p.xxii). Following the

⁵³ According to BP, the Tanah Merah village community comprised 127 households, which were required to relocate to two locations west of the village, namely the new villages of Tanah Merah and Onar Baru (BP Berau Limited, 2006, p.6). Construction of the new settlements commenced in 2002 with the Tanah Merah community having been relocated in 2004.

consultation agreements for the exchange of this land discussed in Chapter 6, BP established a marine safety exclusion zone and detailed agreements regarding entitlements for resettlement.

Significant problems arose however, when BP began building houses and new facilities for the relocated households. The Bintuni Bay area of the Tangguh project comprises a number of villages scattered along the northern and southern shores of the bay, with Babo (on the south shore) and Aranday (on the north shore) the closest towns to the Project site (TIAP, 2002, p.7). The total budget allocated for the resettled villages from 1999-2009 according to BP, was US\$31,126, 451, with compensation representing 70.8 per cent (BP Berau Limited, 2006, p.xxiv).

The allocation of these funds and their distribution is documented in an 'entitlement matrix' incorporating the holders of the *hak ulayat* (the Soway, Wayuri and Simuna clans), types of loss (land, marine resources, houses, gardens, forests, community facilities, cultural sites, livelihood and income) and entitlement. The entitlements provided by BP include both cash payments for land, the establishment of a development foundation of US\$2million for the three landowning clans, as well as material objects such as motors for fishing boats, meeting halls and traditional food packages (BP Berau Limited, 2006, p.xxiv-xxxiii).

The differences between Freeport and BP in regard to compensation are indicative of the 30 year time lapse between the establishment of the two projects, and the more comprehensive regulatory guidelines that resource companies must now adhere to in order to guarantee financial lending. This is evident in the more rigorous public reporting of BP's compensation procedures in comparison to the scarcity of detail on

Freeport's. As will be discussed further however, the new regulatory environment has not guaranteed the avoidance of conflict over BP's compensation. Aside from security, competition and jealousies over the distribution of compensation has been one of the most difficult issues BP has faced in the establishment and maintenance of their operations at Tangguh. In this way, similar to BCL in Bougainville, Freeport and BP's distribution of compensation and revenue in Papua can be seen to have led to the creation of new internal divisions.

National level division - Papua

As discussed in Chapter 6, the Indonesian Government has received a greater share of revenue from the Freeport project than Papuans. This is evident in the lack of provisions for compensation and community development in Freeport's various contracts with the Indonesian Government since it entered Papua in 1967. Therefore while some Freeport employees proudly claim that *"Freeport is the only company in Indonesia brave enough to give one per cent annually"* (Papua6), this one per cent does not amount to much in comparison to Freeport's contributions to Indonesia (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.73). According to Freeport, from the period 1996-2004 the company's total contribution to the One Per Cent Trust Fund was \$152 million. However as highlighted in Chapter 6, the direct benefits to Indonesia (through dividends, taxes and royalties) amounted to more than \$8billion (PT Freeport Indonesia, 2008, p.39). As a result, many Papuans want to see either the closure of Freeport's mining activities or at least a significant increase in the profits to be returned to Papua. One Papuan religious leader stated:

...Freeport is not helping. We want to see Freeport close because the share of

profit is not right...when we think rightly it must be 50 per cent for Freeport and 50 per cent for Papua. That would be right. The mining company have high technology but the copper and gold – that belongs to the Amungme, Kamoro and Papuan peoples. They must share the profit 50/50 (Papua27, Religious leader).

Following the fall of Suharto in 1998 and the beginning of the *reformasi* period, Indonesia has gradually adopted a more decentralised system of government with significant implications on fiscal balancing between the central and regional governments (Resosudarmo, 2005, p.4). In addition, President Megawati Sukarnoputri enacted the Bill on Special Autonomy for the Province of Papua on 21 November 2001, which contained a new revenue sharing framework for extraction of Papua's natural resource wealth.

The Special Autonomy Law has important ramifications for both the Freeport and BP projects. This is evident in the focus of the Autonomy package on recognition that Papua's natural resources have not been used in a way that has improved the living standards of Papuan natives, or respected their basic rights (BP Berau Limited, 2006, p.24). The Special Autonomy Law also implements a new revenue sharing framework for mining, oil and gas. Under the new framework 20 per cent of (post-tax) mining revenue will go to the central government, while 80 per cent will go to the regional government. In contrast, 70 per cent of net revenues from gas and oil production (after taxes and cost recovery) will be returned to the province, with the 70 per cent to be divided amongst the Provincial Government, producing region and other cities of the province (TIAP, 2011, p.33).

According to the Tangguh Independent Advisory Panel (TIAP) (2011, p.33), Special Autonomy transfers of BP's revenues have been channelled directly to the province of West Papua since 2008. Yet despite these large cash infusions, West Papua province continues to have the highest poverty rate in Indonesia (36.8 per cent), only slightly above Papua province (34.8 per cent) (TIAP, 2011, p.33). Further, and as discussed previously, the political status of the Special Autonomy package has been rendered uncertain following the symbolic 'handing back' of Special Autonomy in 2010. According Braithwaite, Braithwaite, Cookson & Dunn (2010, p.91), this symbolic gesture was partly driven by the majority Papuan view that the associated revenues would only benefit Indonesians and a handful of corrupt Papuan politicians. Some also hold the view that most of these funds will be diverted back to corrupted pockets in Jakarta and will never actually reach Papua (Papua47, Indonesian religious leader).

Provincial level division – Papua

The revenue sharing formula set out in the Special Autonomy package has led to the creation of provincial tensions following Megawati's decision to divide Papua into three new provinces: Papua, Central Papua and West Papua. The new division meant that the wealth derived from the Tangguh project would only flow to West Papua province and not to Papua as a whole. As Budiardjo (2004) stated in a letter addressed to BP:

...specifically, the division of West Papua will mean that the Tangguh revenues will now flow largely to Western Irian Jaya [West Papua] and not to Papua Province as a whole, thus exacerbating the potential for horizontal conflict and economic inequity.

While the risk of conflict associated with the divisions led President Susilio Bambang Yudhoyono to impose a moratorium on the creation of new provinces (TIAP, 2011, p.10), the national legislature enacted a law in 2008 that recognises the separation of Papua into two provinces: Papua and West Papua⁵⁴.

Compared to Bougainville however, my fieldwork observations suggest that there is less concern in Papua about local landowners receiving more benefits than other Papuans from the companies directly. Landowners are generally not perceived by other Papuans as 'lazy' and there have not been demands for the companies to provide infrastructure outside of the resource producing areas. Perhaps this is due to the fact that Papua is geographically larger than Bougainville, and the magnitude of the collective grievances held by Papuans regarding their lack of development under Indonesian rule.

Local level division - Papua

One of the most critical divisions that Freeport and BP's compensation resources have created is at the local level between landowners and/or villagers living in the vicinity of the Project areas. As discussed earlier in this chapter, Freeport's One Per Cent Trust Fund led to a clash in 1997, which resulted in the death of eleven people. While the

⁵⁴ According to one Indonesian informant however, "the legality of the province of West Papua remains unclear. The main reason is that in 2003 the Constitutional Court already annulled Law No 45 of 1999 that creates two new provinces (Irian Jaya Tengah and Irian Jaya Barat) and four districts (Sorong, Mimika, Paniai, and Puncak Jaya) as it contradicted the 1945 Constitution. Therefore, all related regulations including Presidential Decree no. 1 of 2003 that enacted Law 45/1999 are deemed invalid. But the reality shows that the province remains in existence. Eventually President SBY [Yudhoyono] issued a Government Regulation No. 1 of 2008 to provide a legal basis for West Papua province. This law gives the same status of "Special Autonomy" to the province of West Papua" (Papua47).

Fund was considered a landmark at the time, in many ways there have been more critics of the Fund than there have been supporters. This was reflected during my own Papuan fieldwork where I encountered many Papuan community leaders critical of Freeport's distribution of large amounts of money without providing education or capacity building to enable the effective use of these funds. As will be discussed more extensively in Chapter 10, this has led to the creation of entirely new social problems such as substance abuse. As a Papuan religious leader claimed:

...they need church programs and socio economic programs to teach people how to use money. A problem for the church is the impact of the money – alcohol and HIV/AIDS (Papua2).

The distribution of funds amongst the Amungme and Kamoro groups also appears to remain contentious despite the administrative changes that Freeport has made through the establishment of LPMK. A representative from one of these organisations expressed it in this way:

...there is no balance between Amungme and Kamoro. Sometimes Amungme get more. We get 20 per cent, they get 80 per cent...compensation is not balanced⁵⁵ (Papua25).

However, in trying to verify the compensation sharing formula, it also became clear that there is a lot of confusion within the community as to how the money is being distributed. As a representative from one of these organisations stated:

⁵⁵ The different negotiation styles of the Amungme and Kamoro will be discussed in Chapter 8.

...I don't understand the contribution of money we have from the one per cent compensation. We don't know how much money consists from one per cent (Papua26).

A Freeport employee also highlighted the company's lack of transparency in the distribution of the Fund:

...all funding should be monitored for transparency. [We should] work together on mapping traditional land rights and help the Amungme and Kamoro. They have traditional land rights, but land now only belongs to the hands of people from outside (Papua12).

In regards to BP, it could be said that the company was conscious of the potential negative impacts associated with the distribution of the One Per Cent Trust Fund. This is evident in BP's attempt to avoid the sudden insertion of large amounts of money, and instead to channel these funds into community development and infrastructure projects. As discussed earlier, despite these efforts, conflict arose between the north shore and south shore villages of the Bintuni Bay area. Although this tension did not escalate into violence, it has nonetheless been one of the biggest problems that BP has had to manage during the life of the Tangguh project.

Conclusion

This chapter argued that BCL, Freeport and BP's revenue and compensation procedures have led to the creation/and or exacerbation of internal divisions within affected societies. It was argued that these tensions have primarily emerged through

the creation of contested hierarchies of revenue and compensation at the national, provincial and local levels.

In Bougainville, the division at the national level was exacerbated by the unequal distribution of mining revenues in favour of the central government. At the provincial level tensions evolved between Bougainvilleans in general and landowners as a result of the lack of development and infrastructure initiatives outside of the mining lease area. While at the local level a division was created between landowners themselves as a result of intergenerational disputes over access to BCL's compensation payments.

Akin to Bougainville, divisions at the national level in Papua stemmed from the unequal distribution of mining and gas revenues in favour of the central government. At the provincial level, grievances were also directed towards the central government due to the perceived lack of development in Papua more broadly. While at the local level, BP's Tangguh LNG project created new tensions between north and south shore villagers who were not equally compensated despite comparable *adat* claims to the gas resources.

This chapter opened with a discussion of the economic drivers of conflict. While there is evidence to support Collier's emphasis on 'greed' through the Indonesian military capturing Freeport's resources to run a protection racket, the two conflicts are characteristic of a different kind of resource curse to what is discussed in this scholarship. Bougainville and Papua's opposition movements did not capture BCL, Freeport and BP's resource projects to use them to buy weapons. Rather, it was a curse of the resources not being used to build, but to divide. This highlights the fragility and dynamism of the interactions that circulate alongside natural resource development.

These interactions are “made up of uncertain, fragile, controversial, and ever-shifting ties” (Latour, 2005, p.28).

A common theme identified in this chapter with regard to both the Bougainville and Papua cases has been the problems associated with communication between the companies and local communities, particularly in terms of transparency around the distribution of resource wealth. The next chapter explores this in more depth, and argues that the companies’ failure to initiate dialogue with all of the stakeholders associated with the resource projects has exacerbated the experience of political, cultural and economic marginalisation of Bougainvilleans and Papuans.

Chapter 8: Preventive Peace Dialogue

Site of interdependence	Disengaged (CSR as it mostly is)	Engaged (CSR reconfigured)
Cultural, political & economic marginalisation	Corporations don't recognise local grievances and deny most local people the opportunity to negotiate	Corporations recognise local grievances and open long-term dialogue with different segments of the community

This chapter discusses the efforts made by BCL, Freeport and BP to initiate dialogue with local communities. It will argue that one consequence of the companies' responsiveness to the state is that BCL, Freeport and BP have not succeeded (to varying degrees) at opening long-term dialogue with all peoples affected by their business activities. This exclusion aggravates the fourth site of interdependence identified between the companies and the root causes of conflict in Bougainville and Papua: cultural, political and economic marginalisation.

The chapter opens with a discussion of the concept of 'stakeholder dialogue'. This term is generally used by scholars and companies to refer to processes of communication between large corporations and local communities. The effectiveness of stakeholder dialogue as a tool for promoting peaceful development in Bougainville and Papua will

then be analysed. It will be argued that although stakeholder dialogue as a mechanism to facilitate peaceful development is a good idea in theory, the case studies reveal that it is complex to achieve in practice. This is because its success is highly contingent on the level of progress made on a variety of other justice claims.

'Stakeholder dialogue'

'Stakeholder dialogue' is a business practice that emphasises consultation as the baseline for good corporate governance (Unerman & Bennett, 2004, p.685). The concept was popularised in the mid-1990s and was implemented by NGOs such as the World Wildlife Fund, closely followed by individual companies such as the Body Shop. Stakeholder dialogue was later adopted by coalitions of companies including the World Business Council for Sustainable Development (WBCSD) (Kaptein and van Tulder, 2002, p.208). The WBCSD describes stakeholder dialogue as, "a powerful catalyst for change. It promotes greater transparency, information sharing and inspires society to work together" (WBCSD, n.d, p.2). In recent years, the concept has been so widely accepted in both academic and business circles, that it has been acclaimed as "a cornerstone of corporate social, environmental, economic and ethical governance" (Unerman & Bennett, 2004, p.685).

Stakeholder dialogue is underpinned by a commitment between corporations and society to better understand the challenges and pressures facing each other (Burchell & Cook, 2008, p.44). This commitment is made manifest through principles of 'openness' and a willingness to consider alternative viewpoints (Burchell & Cook, 2008, p.36). The measure of stakeholder dialogue is referred to in the literature as an

‘intersubjective moral consensus’ (Unerman & Bennett, 2004, p.688) and shared forms of knowledge (Burchell & Cook, 2008, p.44). In the context of the extractive industry, the goal of stakeholder dialogue could be described as a commitment on the part of corporate management to see the resource project through the eyes of the local community, and for the local community to see the project through the eyes of corporate management. Table 6 summarises the key values, motives and constraints to the initiation of stakeholder dialogue identified in the literature.

Table 6 - Stakeholder dialogue

Values/Ethical underpinning	Motives	Constraints
Openness Non-confrontational Sharing Understanding Inclusion Tolerance Transparency Empowerment Equality Two-way process Interactive Consultation Cooperation Structured Proactive	Develop trust Transcend entrenched views Establish new relationships Reach mutual understanding Understand stakeholder expectations Learn from each other Better communication Reduce risk Understand how the company is perceived Early warning system Avoid damaging publicity Enable responsibility Avoid potential conflict Informed thinking	Different understandings of dialogue Business prefer to work with peers Ignorance of stakeholder opinions Costly & time consuming Stakeholder diversity Insufficient resources Limitations to inclusiveness

Compiled from: Burchell & Cook, 2008; Mena et al, 2010; Pedersen, 2006; Unerman & Bennett, 2004; Burchell & Cook, 2008; WBCSD, n.d; Kaptein & van Tulder, 2002).

What constitutes 'dialogue' in stakeholder dialogue discourse is somewhat loosely defined but can include for example: information dissemination, conferences, reports, training and consultation, as well as more structured forums between companies and NGOs (Burchell & Cook, 2008, p.157). However since the 1990s, Burchell and Cook (2008, p.167) argue that there has been an increasing acceptance on the part of business that there is a need to move beyond information dissemination to respond to the concerns that stakeholders define for themselves. Subsequently there is an increasing need for firms to go further than simply publishing documents about the company's priorities to proactively engage with the priorities of locals.

The process of achieving effective and meaningful stakeholder dialogue is difficult and complex. Pedersen (2006, p.138), for example identifies five characteristics of effective stakeholder dialogue:

1. inclusion,
2. openness,
3. tolerance,
4. empowerment, and
5. transparency.

Pederson argues, "as a participatory ideal, the stakeholder dialogue should include the important groups and individuals who affect and/or are affected by the decision or the issue in question". In the case of the extractive sector this could include: landowners, NGOs, women's leaders, religious organisations, the state, military and police. However as was discussed in Chapter 3, the power and capacity to decide who is included and

who is not, is ultimately held by the corporation (Kapelus, 2002, p.290-1). These decisions are fraught as the inclusion of one group almost always involves the corresponding exclusion of another (Mena et al, 2010, p.167). The potential for conflict to arise in such situations is extremely high and is clearly evident in the cases of Bougainville and Papua.

An important question to be raised of stakeholder dialogue centres on how the self-stated goals of 'inclusion, openness, empowerment and transparency' between companies and stakeholders can be achieved in the context of resource projects, in which the stakeholders (or local communities) are subject to considerable cultural, political and economic marginalisation? This question takes in broader considerations than just how companies might accurately and justly identify stakeholders. The argument presented in this chapter is that there is a gap between the ideals of stakeholder dialogue theory and what is actually required to achieve the desired 'intersubjective moral consensus' (Unerman & Bennett, 2004, p.688).

The crux of the case put forward in this chapter is that 'understanding' between parties and 'empowerment' of local communities is unlikely to manifest in the absence of broader commitments by the company to make progress on justice outcomes in other areas or alongside particular dialogues about the nature of the company's operations. This feeds into a broader vision for a reconfiguration of CSR to be discussed in detail in Chapter 13. The proposed reconfiguration includes preventive peace dialogue on the social, political and environmental terms of access to land through on-going and collaborative negotiations between all stakeholders on the full range of justice claims that the resource project feeds into.

The emphasis on dialogue in Interdependent Engagement is wider than that generally encompassed by the discourse of stakeholder dialogue. This is because it highlights the importance of not just the creation of a 'safe space' for locals to communicate their concerns to the company, but also the potential for resource companies to initiate dialogue on the institutional changes required for the development of a mutually beneficial resource project.

Bougainville

While stakeholder dialogue had not been articulated into a formal set of principles or techniques in the days of the operation of the Bougainville copper mine, there is evidence to suggest that BCL did recognise the value of dialogue. For example, BCL appointed village relations' officers who undertook the specific task of conveying the grievances of Bougainvilleans to BCL management. Despite these appointments, problems in communication became one of the crucial issues the company faced leading up to the conflict (Vernon, 2005, p.258).

Communication was a particular problem for BCL because although the techniques it used were not named 'stakeholder dialogue' it was based on similar principles and, as a result, shared the same inbuilt limitations. More specifically, BCL failed to recognise that progress needed to be made on the cultural, political, and economic marginalisation felt by Bougainvilleans at the hands of the Australian Administration, the PNG government and the company itself, before meaningful dialogue could occur. This failure was compounded by a corresponding lack of consideration of the differences between Bougainvillean and Australian culture, and the ways in which they

might impact on processes of dialogue and communication.

Colonialism, Language & Racism

...They thought of us as threatening, but we were there to help them (BOU2, Current BCL Executive).

The earliest constraint for BCL in establishing a positive relationship with landowners and villages surrounding its mining lease areas was the colonial logic that drove the development of the mine. The development of the mine exacerbated a “long-standing sense of cultural and political exclusion felt by Bougainvilleans” (Regan, 2003, p.55). So from the outset putting in place Pederson’s (2006, p.138) precondition of ‘inclusion’ for effective stakeholder dialogue was highly problematic.

The processes of dialogue associated with the construction of the Bougainville copper mine were characterised by the same features that marked the Bougainvillean experience of Australian colonialism. As with the colonial approach of the Australian Administration, BCL management promoted themselves to Bougainvilleans as benevolent agents of development. In response, locals tended to relate to the company with scepticism and doubt. It is clear that BCL’s commitment to ‘help’ the locals was driven by an enlightened self-interest based on fear that an independent PNG might one day nationalise the mine (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.12). This evident self-interest justified Bougainvillean scepticism about the dialogue process. It also made it difficult to resolve the perception that their land was being squandered for the economic benefit of ‘outsiders’.

The disparity between the priorities of BCL management and the concerns of locals

was further problematised by language barriers. The company found it difficult to effectively inform locals of the expected social and environmental impacts of the mine. Former CEO of BCL, Don Vernon claims that during the early stages of the mine's development there were approximately 20⁵⁶ distinct language groups present in Bougainville, none of which was dominant (Vernon, 2005, p.263). The company initially relied on colonial officers for interpretation, before choosing to use Pidgin⁵⁷ (Vernon, 2005, p.263). Two of BCL's first community programs were sponsorship of Pidgin language training for expatriate staff (Vernon, 2005, p.263), and an employee orientation program that included education about Australian and Bougainvillean social conventions (Robinson cited in Tonks & Dowling, 1999, p.13).

In addition to being a strategy to improve communication between expatriate employees and Bougainvilleans, the Pidgin language training and employee orientation program were also aimed at achieving 'tolerance, acceptance and understanding' between the company and locals. BCL believed that encouraging communication between expatriates and Bougainvilleans would introduce new ideas to the locals (Bougainville Copper Limited, BCL Environment and Community Relations Division, n.d.) and would reduce the risk of racist behaviour by Australian staff. According to a current executive of BCL the company's efforts in this regard were:

...a form of self-regulation. The big stick was how expensive it was to ship people out if they did anything wrong that was likely to cause any disruption to

⁵⁶ According to Douglas Oliver (1973), the number of languages was actually 18 in 1963, falling from 19 pre WWII.

⁵⁷ Pidgin had become universal on Bougainville by 1972 (Oliver, 1973, p.187).

the mine. Employees had to undergo psychological tests on racism for example.

It did not always work but the precaution was there (BOU1, BCL Executive).

Some Bougainvilleans believe that the racism displayed by BCL employees demonstrated the ineffectiveness of BCL's efforts to achieve effective dialogue. Current President of Bougainville, John Momis for example, stated in a letter addressed to a former CEO of BCL that "so many of your employees are racist, openly contemptuous of us, just as the kiaps were" (Quodling, 1991, p.92). Momis' reference to racism highlights the connection between the effectiveness of Stakeholder dialogue and progress made in dealing with deeper sources of injustice, namely, Bougainville's colonial history. This deeper issue remained salient regardless of whether racism was experienced widely, or whether it was expressed 'on the odd occasion' by a minority of individuals⁵⁸. Racism in the colonial context is intertwined with broader feelings of subjugation on the part of colonised (Bougainvilleans), and the perceived sense of superiority of the colonisers (Australians). As a Nasioi landowner stated:

...racism was not a major issue, but the people were illiterate and the people who came in were educated. It was a sudden impact on the people from the primitive to the modern (BOU29, Nasioi landowner).

This quote demonstrates that achieving 'tolerance, acceptance and understanding' is not only constrained by language and incidents of racism, but also the company's history and association with broader experiences of colonialism and associated

⁵⁸ As will be discussed in Chapter 10, racism was more of a problem between Bougainvilleans and migrants from other areas of PNG than it was between Australians and Bougainvilleans.

relationships of dependency. In this way, the expectation implied in the stakeholder dialogue discourse that consultation can effectively operate in a transcendent manner above situations of historical exclusion is too simplistic.

For language programs and dialogue on the social and environmental impacts of the mine to achieve its intended aims, BCL would have needed to first recognise and engage with issues associated with the company's involvement in historical injustices. Teaching hundreds of employees Pidgin would have required considerable effort on the part of BCL, however considering the exclusion of Bougainvilleans from the Bougainville Copper Agreement, it is not difficult to see how these efforts were met with suspicion, perceived as disingenuous and ultimately proved ineffectual.

Local perceptions of BCL's effort

Discrepancies between the mechanisms BCL thought appropriate to establish dialogue with Bougainvilleans and the expectations of locals continued throughout the life of the mine. Three main criticisms were raised during fieldwork: 1) failure to talk with women as owners of the land, 2) failure of village relations staff to speak to villages outside of BCL's mining lease areas, and 3) a lack of landowner rights in the Bougainville Copper Agreements.

1) Failure to talk with women as the owners of the land

In the processes that led to the establishment of the mine, it was Bougainvillean women who felt excluded most. Mimicking the colonial practices used in the development of plantations, BCL only negotiated with men for access to land. The

company did not understand that in Bougainville's matrilineal society, the inheritance and ownership of land comes through the female line (Saovana-Spriggs, 2007, p.10). Accusations emerged that BCL management denied requests by women to voice their concerns. As a Bougainvillean women's leader stated:

...there was no consultation with women landowners. They make decisions with men, not women. Women wanted the mine to be stopped it could have been prevented if they listened to the women in the first place. Dialogue should have been when people wanted to talk – it caused a lot of frustration. There were opportunities to sit together and negotiate, but it came too late. Things were already out of hand. They should have come when the women called the meetings. When the women start to talk we know something is wrong. Women are much closer to land than men. They saw trouble. Perpetua Serero, Francis Ona's cousin, she went to BCL and said stop we have to talk. They did not have time for them. All they wanted was more money (BOU31, Bougainvillean Women's Leader).

By not including female landowners in early decisions relating to the development of the mine, BCL established a perception amongst locals that the company was not going to engage with the experiences of Bougainvilleans or their social and cultural structures. While the stakeholder dialogue literature correctly argues that there are limitations to the numbers of stakeholders that corporations can include, the most important and correct stakeholders (in this case, the rightful owners of the land) must be correctly identified. This can only be achieved by first engaging with, and understanding the complexities of the host society's history and culture.

2) Failure of Village Relations staff to speak to villages outside of the mining area

Because the mine affected such a large area of Bougainville, local villages were affected in very different ways. As discussed in Chapter 7, one of the biggest criticisms of BCL's Village Relations Department was that its staff only spoke to villagers in the immediate vicinity of the mine. As a Bougainvillean former employee of BCL claims:

...BCL provided avenues to bring our complaints but liaison officers could have really gone out, not only the places around BCL. There was a liaison officer. Liaison officers were Bougainvillean or Papua New Guinean but they failed to go to the villages. Or If they did, they could have done better (BOU27, Former BCL Employee/Women's Leader).

3) Silence on rights in the Bougainville Copper Agreements

As discussed in earlier chapters, Bougainvilleans were not party to either of the Bougainville Copper Agreements, including the associated compensation and land rent deals. Thus aside from BCL's Village Relations Department, Bougainvilleans were forced to rely on the PNG Government to represent their concerns collectively to BCL management, contradicting their view that *"it [land] belonged to the people not the government"* (BOU28, Ex BRA combatant). BCL's failure to recognise the problematic relationship that Bougainvilleans had with the PNG Government meant that locals continued to feel excluded from the project and became increasingly frustrated by the lack of response to their complaints. Bougainvillean suggestions on how progress could

have been made on this issue give an important insight as to an alternative approach to dialogue that might have been more effective

...what BCL should have done is sit with the landowners and discuss a resolution. Then approach the PNG government. This would not have been rejected by the landowners. It's our culture. We contribute ideas to the discussion. Share grievances and decide on steps. We could have ended it that way (BOU20, ABG Department CEO/Landowner).

If BCL had effectively engaged with the landowners in this way, the company would have demonstrated that they were willing to learn more about the landowners' experiences of the impacts of the mine. This strategy would have recognised the concerns held by Bougainvilleans that the PNG Government was failing to represent and protect their interests in the pursuit of national economic development. BCL did not believe that any of the three criticisms outlined above reflected a lack of initiative or failure on their part. Rather, the company's management believed that their lack of understanding about the issues of most concern to locals was attributable to 'cultural problems' associated with hiring Bougainvilleans in the company's Village Relations Department.

Village Relations and 'the wantok system'

...Management weren't getting the true picture from the community because of the rivalry between clans. If we had known this at the time, the conflict could have been very different (BOU1, Current executive of BCL).

It has been argued by BCL executives that the problems in BCL's Village Relations

Department were the result of a clash between two systems: 'clan loyalty' and 'bureaucratic neutrality'. The 'wantok system', a Melanesian form of social responsibility (Lea, 1993, p.91) became a problem for BCL when it appointed Bougainvilleans to work in the company's Village Relations Department, and senior management positions. These employees were employed to voice the concerns of Bougainvilleans generally, but they were "subject to local loyalties and politics and thus under suspicion that they favoured some groups more than others" (Vernon, 2005, p.264).

According to David Lea (1993, p.91-2), 'wantokism' "has its roots in the traditional pre-eminence of community values over individual preferences and sets out "the mutual duties and responsibilities, which exist between those individuals who share the same language". *Wantok* (from 'one talk' or language) "were expected to help one another with food, lodging and employment" (Levine, 1999, p.170). The system requires that *wantoks* share the benefits and advantages that they acquire (Lea, 1993, p.91) with networks of friends, neighbours and acquaintances, and is essentially an egalitarian way for the community to take care of one another.

Local loyalties became a problem for BCL because *wantok* obligations meant Bougainvillean Village Relations' officers were required to maintain responsibility to their own clans rather than relevant landowners or to Bougainvilleans generally. As a consequence, BCL claim that they were not getting a clear picture of community problems because of local rivalries. A current executive of BCL claims:

...this complexity was the reason we had no Bougainvilleans on the BCL board.

[A senior Bougainvillean] would just tell BCL community opinions from his own

clan – not the experiences of other clans. [Francis] Ona wanted to get rid of him for this reason (BOU1, current BCL executive).

The assertion by BCL that the problems with Village Relations officers were linked to the *wantok* system is contested by Bougainvilleans. As a Bougainvillean who once worked for BCL as a welfare officer claimed, *“it was just an attitude problem of the people who worked in village relations” (BOU33)* rather than any structural limitations of the *wantok* system. The former welfare officer went on to say:

...it was run by [one of the landowners]. They didn't understand their role ... and it was the very place that people took their grievances. They were not kind characters. They were the kind of characters to make a situation diffuse...Why couldn't he speak in his language to his own people? BCL were always willing. It was just these people that were problematic. Why couldn't they feel for the landowners? (BOU33).

Other Bougainvilleans interviewed for this study believe the communication problem was more symbolic of a lack of initiative on the part of BCL, rather than any inherent limitations of the *wantok* system in being able to represent the interests of others. The CEO of an ABG Department claimed:

...People have to be called together. We have clan connections. One will go and talk to that side and bring the parties together. It's our culture (BOU20, ABG Department CEO/Landowner).

These kinds of discrepancies between the views of BCL and those of Bougainvilleans bring us to the heart of the complex relationship between foreign multinationals and

the life worlds of locals. As a current executive of BCL argued:

...there is no magic bullet to deal with this complexity. Every place is different and there is always a lack of understanding. It is always a problem because we are not them ... even when we employed the best anthropologists like [Douglas] Oliver, we still had this problem (BOU1, Current Executive of BCL).

The method of employing anthropologists as a way to overcome this complexity reflects a 'method error' in BCL's approach to dialogue initiatives. This is because no one, no matter how deep their understanding of the behaviour of any one group can be expected to accurately predict how that group will behave in future radically changed circumstances. As Latour (2005, p.28) argues, "relating to one group or another is an on-going process made up of uncertain, fragile, controversial and ever-shifting ties". What is required is a long-term commitment to engage with the voices of various groups in the local community, rather than a reliance on fantasies of unchanging and homogenous societies that can easily be represented by a minority of individuals. Moreover, while BCL made various attempts to engage with Bougainvilleans through dialogue initiatives; they were not built on a foundation that recognised pre-existing cultural differences and problems, including colonial legacies and grievances directed at the state with which BCL was deeply connected.

Generational disputes

The need for long-term dialogue with various groups in the community became most evident in Bougainville when a generational dispute erupted within the PLA. As discussed in Chapter 7, from 1981 a new generation of landowners became

increasingly frustrated both with BCL's response to several long-standing disputes, and the perceived complacency of the older landowners (Wesley-Smith, 1991, p.188). In 1987 a separate group, the NPLA formed under the leadership of Francis Ona's cousin, Perpetua Serero. According to a Bougainvillean landowner who was a part of the NPLA:

...BCL and national government, they didn't do anything about this one. There was a meeting called. Landowners went but two executives didn't turn up. First roadblock started then (BOU24 Chief/Landowner).

The BCL executives chose not to turn up according to Tanis, because "the management of BCL refused to recognise the NPLA, and maintained its links with the long-established PLA, representing the older generation" (Tanis, 2005, p.463). This claim is supported by a current executive of BCL, who stated that:

...the so called NPLA approached the company and asked for an unrealistic sum of money-but Paul Quodling [CEO of BCL at the time] said no (BOU1, Current executive of BCL).

Although most agree that the demands being put forward by the NPLA were unrealistic, there is a popular perception amongst Bougainvilleans that if BCL and the PNG government had at least negotiated with them, it's possible that the conflict would not have erupted in the way that it did. As a Bougainvillean former employee of BCL claimed:

...At one stage we heard about the K10 billion claim. After that, the crisis started. No answer to [the] claim. Obviously there was some communication weakness. There might have been a different outcome (BOU34, Former BCL

Employee).

Contrary to the perspective of BCL executives therefore, the communication problems the company faced was not just born out of the complexity of Bougainvillean culture and social structures. Miscommunication between the company and locals also emerged through a lack of initiative on the part of BCL to engage with broader sources of injustice, especially feelings of exclusion, subjugation and the heterogeneity of local communities. By failing to engage with broader experiences of injustice, BCL was unable to demonstrate a willingness to achieve a relationship of shared understanding with locals, and work towards the development of a mutually beneficial resource project.

Papua

Unlike BCL in Bougainville, Freeport and BP's activities in Papua have extended beyond the 1990s to include an era in which the business community has more explicitly adopted concepts of stakeholder dialogue. As a result, both Freeport and BP have operated under heightened social pressure to establish open relationships with landowners, community organisations and NGOs. Despite this new set of processes and expectations, Freeport has struggled to establish effective communication with indigenous Papuans. The main indicators of this struggle are 1) the secrecy in which the company has operated, 2) the creation of fear through the militarisation of the Freeport area, and 3) the creation of divisions in the local community over access to Freeport's community funds. In contrast, BP has been somewhat more successful in establishing effective communication with local Papuans prior to the construction of

the Tangguh project and the establishment of the TIAP. However, it too has been criticised for failing to include all stakeholders in its dialogue initiatives and for a lack of engagement with the issues of most concern to locals.

Freeport

...So far what we feel is that Freeport doesn't think Papuans exist...Papuans are like stones or useless (Papua5, Papuan peace activist).

Unlike BCL, who tried to engage with the local population in the early stages of business development, Freeport did not do so in earnest until the mid-1990s. Indeed the literature (Leith, 2003) suggests, and my interviews confirm, that in the initial phases of mining operations, Freeport initiated no measures to engage with locals that were anywhere near as developed or proactive as BCL's language programs or Village Relations Department. In fact, Freeport's relations with locals in Papua can be seen to exhibit the very opposite characteristics of stakeholder dialogue discussed earlier in this chapter.

Freeport McMoRan Copper & Gold, based in Phoenix Arizona, is notorious for the closed nature in which it conducts its business activities. The company is well known for denying access to researchers and human rights groups for the purpose of conducting social and environmental evaluations of the project site⁵⁹ (see Abrash & Kennedy, 2002). In addition, Freeport McMoRan's CEO, James 'Jim Bob' Moffett has a

⁵⁹ See Abrash (2002, p.2-4) for a discussion of a blocked attempt to initiate a fact-finding mission on human rights in Freeport's Contract of Work area in 1999, sponsored by the Robert F. Kennedy Memorial Center for Human Rights.

reputation for making insensitive remarks regarding resource politics in Papua, such as Freeport is “driving a spear of development into the heart of Irian Jaya” (Schwarz, 1991) and “we find President Suharto to be a compassionate man” (cited by CorpWatch, 1997). Freeport’s lack of transparency has been compounded by the fact that Indonesia continues to keep Papua largely hidden from the outside world. This occurs through the routine denial of permission to visit the territory by foreign journalists and the eviction of humanitarian organisations, including the International Commission of the Red Cross, Cordaid and Peace Brigades International (Matsuno et al, 2011).

In spite of the focus on secrecy, Freeport has been involved in a number of international business initiatives ostensibly designed to promote dialogue on responsible business conduct. For example, the President of Freeport McMoRan is also the current Chairman of the International Council on Metals and Mining, a CEO driven initiative, which aims to strengthen business performance on ‘sustainable development’⁶⁰. Freeport has also publicly expressed a commitment to stakeholder dialogue indicating a desire to work “to improve mutual understanding and respect to enable the local people to achieve their aspirations and to continue harmonious relationships” (PT Freeport Indonesia, 2006, p.10).

Notwithstanding Freeport’s verbal public commitment to stakeholder dialogue, the company has been unable to achieve a positive relationship with Papuans in practice. This failure is connected to three key factors. Firstly, as discussed in Chapter 6, the

⁶⁰ Sustainable development will be discussed extensively in Chapter 11.

primary stakeholder that Freeport has been responsive to is the Indonesian Government, rather than the Papuan community. As a result, as in Bougainville, Freeport has been perceived by indigenous Papuans as working to further the interests of the Indonesian Government in relation to ongoing tensions between the 'core' and the 'periphery'. Second, as discussed in Chapter 7, Freeport's community initiatives have tended to take the form of reactive measures to combat violence in the Contract of Work area, rather than pro-active efforts to engage with the community. Finally, and similar again to Bougainville, there have been problems in communication between the company and locals due to cultural differences. Moreover while Freeport has been relatively successful in communicating a commitment to stakeholder dialogue to its *shareholders*, it can be seen to have failed to translate this verbal commitment into action on the ground in Papua.

As outlined in Chapter 6, one of Freeport's earliest commitments to establishing a 'partnership' with Papuans was motivated by riots that had broken out in Freeport's concession area. This reactive measure took the form of financial distributions from the One Per Cent Trust Fund. A perversity of this effort by Freeport to 'partner' with locals was that the distributions from the Fund were doled out without first understanding or engaging with the complexities of Papuan culture and social structures. Specifically, Freeport failed to understand that the communities most directly affected by its mining operations, the Amungme and Kamoro, hold different expectations of the company and tend to employ quite different communication styles (Leith, 2003, p.89). The local 'community' cannot be conceived of as a homogenous entity and the cultural practices of some groups more easily engage with Western corporate modes of negotiation than others. For example, the Kamoro tribal group is

characterised as less 'assertive' and forward looking than the Amungme. As the following fieldwork quotes illustrate:

...We have dialogue between Amungme and Kamoro with Freeport. We compare with Amungme and they try to find something. Amungme always find what they want but Kamoro can't find what they want (Papua25).

...Amungme and Kamoro have a very different culture. The Amungme are powerful, strong and have big homes. They can fight for themselves for interest in Freeport. The Kamoro are weak, never thinking about themselves. Never think about the future. Maybe they will be lost after 15years because they cannot fight for themselves (Papua7, Indonesian Journalist).

Freeport's lack of engagement with differences within Papuan cultures not only created the conditions for new internal divisions and tensions, but further aggravated the sense that Freeport was not willing to meaningfully engage with the locals or to see the mining operation from their perspective. A crucial mistake made by Freeport is that it has failed to recognise that money alone cannot establish effective relationships with local Papuan communities. As one Papuan stated:

...the money is the second thing. Dignity and sitting together is most important (Papua12).

By failing to establish effective dialogue with various groups in the community before making distributions from the Fund, Freeport not only failed to align the company's community development programs with the priorities of locals, but also produced new jealousies and tensions within and between groups. Therefore, the importance of

status equality as an essential precondition for the effective disbursement of community funds is evident in both the BCL and Freeport cases.

2011 worker strikes

Freeport's failure to "enable the local people to achieve their aspirations and to continue harmonious relationships" (PT Freeport Indonesia, 2006, p.10) became highly visible in July 2011 when approximately 8,000 Freeport workers at the Grasberg mine went on strike. The strikers sought a pay increase from US\$1.50 per hour to US\$3 per hour to make the wages of Grasberg workers comparable to Freeport employees in other parts of the world (where wages range from \$15 to \$30 per hour). Freeport management called on the employees to return to work, stating that, "the company sees there is no legitimate justification for any form of strike..." (Sirait cited in Wanda, 2011).

Following a weeklong protest, the company and the workers union failed to come to an agreement, which resulted in the Union initiating a one-month strike. In response, Freeport reportedly offered a 10 per cent pay rise in the coming year and another 10 per cent for the following year (Freeport Indonesia workers, 2011). Unsatisfied with this offer, the workers continued to lobby for higher wages. Following more failed negotiations and a decline in Freeport's operating capacity, 114-armed police arrived in the mining area in addition to the 600 paramilitary troops already present (Workers at Freeport, 2011). Freeport then enflamed an already volatile situation by issuing the striking workers with a "No work, No pay", note, claiming the company was not legally obliged to pay those who chose to take part in the strike (Rusmana, 2011).

Unable to resolve the strike and coax the employees back to work, Freeport began replacing the striking workers with new labour. The strikers set up protests against Freeport's attempt to transport the replacement workers into the mining area, which escalated into a violent clash with police. News outlets reported that in response to being pelted with stones, the police fired warning shots in attempt to disperse the protestors (Freeport Indonesia mine, 2011). One of these 'warning' shots claimed the life of a protestor who was shot in the chest. The violence surrounding the strikes led to the death of a further three people and injured a dozen others. Freeport eventually agreed to increase wages by 37 per cent. This offer also included improved housing allowances, education assistance and a retirement savings plan for workers (Freeport Indonesia mine, 2011).

Consistent with the argument of this chapter, Ballard & Werden (2011) argue that the 2011 strikes point to the failed efforts of Freeport in the past to establish a mutually beneficial venture with local Papuans, exacerbated by the company's slow efforts to train a Papuan workforce (see Ch 10). Ballard & Werden argues that the crucial constraint to the establishment of effective dialogue between Freeport and locals is the interference of the Indonesian Government which, "regards any kind of direct negotiation with Papuans, particularly on the part of an outside company like US owned Freeport, as a threat to sovereignty, particularly post East Timor".

The power of Indonesian narratives of the importance of national unity will be discussed extensively in the following chapter, but is raised here because the violence and intimidation which marked the strikes reflects the fundamental failure of Freeport to engage with locals by allowing stakeholder dialogue to be co-opted by the

Indonesian security forces. As Ballard & Werden (2011) argue, “the problem is whenever they’ve [Freeport] been pushed to make a choice, they tend to fit onto the side of Jakarta and the security forces”. This argument mirrors the claim made by the Bougainvillean ABG Department CEO that BCL should have sat with the landowners as a first step, and then taken a shared resolution to the national government. By treating locals with dignity, natural resource companies have an important opportunity to initiate dialogue on a wide range of institutional changes that could foster the development mutually beneficial resource projects.

BP

...BP has been well received because the management of the company had already given the first 3 years of community development – the people know we are part of the company (Papua3, BP employee).

In contrast to BCL and Freeport, BP’s commitment to dialogue with locals affected by the Tangguh LNG project can be characterised as more inclusive and long-term. However, BP has also been criticised for failing to include all segments of the community.

Before BP began constructing the Tangguh LNG project, the company spent three years (2001-2003) establishing and implementing numerous environmental and socio-economic development commitments. This forms a stark contrast to the BCL and Freeport cases in which no significant community engagement initiatives were put in place prior to the establishment of the two mines. According to a BP employee, this strategy has worked well because it gave Papuans a sense that BP would recognise the

rights of local people (Papua3). Clearly different to the experience of BCL and Freeport, Papuans felt included in the BP project from the very moment of production. Through this inclusion, Papuans developed a clearer understanding of the project and the social and environmental effects it was going to create prior to commencement of operations (Papua8, BP employee).

BP adopted this more proactive approach to community engagement, cognisant of the Freeport experience, knowing it would be attempting to establish business operations in an area where resource development had been associated with conflict and human rights violations. As such BP felt it was taking a serious risk with its international reputation by investing in Papua. Two crucial steps taken by BP to avoid becoming embroiled in the kind of conflict associated with the Freeport project included the undertaking of the first human rights impact assessment to ever be conducted by a resource company in Indonesia⁶¹, and the establishment of the TIAP.

The TIAP was established in 2002, “to provide external advice to senior decision-makers regarding non-commercial aspects of the Tangguh LNG Project” (BP p.l.c., 2012c). The panel is comprised of former US Senator George Mitchell, Lord Hannay of Chiswick from the U.K., Ambassador Sabam Siagian from Jakarta, and Reverend Herman Saud from Jayapura. The panel has been involved in providing yearly recommendations to the management of BP, who are then required to respond publicly (through the BP website) to each recommendation. In BP’s response to the first TIAP report, the company agreed to the recommendation that it, “continue and

⁶¹ This will be discussed in Chapter 9.

intensify the dialogue BP has begun with the central government, regional government leaders in Papua, NGOs and religious leaders” (BP, 2002, p.15). The dialogue initiatives that BP commenced in 2002 for example, included initiatives such as local NGO meetings, seminars on BP’s community based security strategy and workshops on revenue management (BP, 2002, p.6). The establishment of TIAP and public responses to its recommendations has resulted in greater transparency of the company’s activities through the availability of the TIAP reports on BP’s website.

Although many Papuans interviewed for this study commended BP for its more comprehensive effort to establish a relationship of trust with locals, the TIAP has been criticised by some external observers. Hickman and Barber (2011, p.15) for example, have questioned the ‘independence’ of the Panel due to the sponsorship it receives from BP. Moreover, the authors argue that while BP has a system of public consultation, “these events tend to be carefully stage-managed to put BP in a positive light” (Hickman & Barber, 2011, p.15). Environmental NGO, Down to Earth has also criticised BP for delays between the completion of reports and their publication, and the lack of attention paid to the particular impacts of the project on women (Down To Earth, 2003).

In line with some external criticism of the TIAP mechanism, annual reports responding to the Panel’s recommendations tend not to address the more controversial aspects of the project, particularly land and resource rights. As Down to Earth claim, “in fact the Panel avoids this crucial issue by stating that BP’s compliance with Indonesian law is outside the scope of the Panel’s inquiry”. Down to Earth (2003) also criticise the relative value of BP’s efforts to establish dialogue with locals when they have no right

to reject the project, “the whole TIAP mission is based on the understanding that the project will go ahead and the question is how to do it best, not whether to do it at all”.

Despite the external criticism, my fieldwork suggests that BP’s efforts to achieve stakeholder dialogue through regular forums with NGOs are valued by locals. As one NGO worker involved in forums on the Tangguh project stated:

...BP did this well because management of BP knows that they were coming to an area where there has been a problem before. By understanding this case, they are more open with NGOs in order to make relationship with local community. BP also do their social analysis about the effects that can come up after development in the area and involve the local people there. Until now things like instrument to development involve regular communication with NGOs, government, church, and other groups, Muslim and-Catholic...Regular meetings every 6 months trying to share dialogue, relating to human rights and environment (Papua4, NGO worker).

BP’s establishment of regular forums with NGO groups has been well received amongst Papuan NGO workers. These workers believe the forums have resulted in a greater understanding of local cultures and inclusion of local people in the conduct of the project.

Conclusion

This chapter has argued that BCL, Freeport and BP have not succeeded (to varying degrees) in opening long-term dialogue with all peoples affected by their business

activities. The Bougainville and Papua cases illustrate the importance of direct dialogue between natural resource companies and locals. The state, military, the motive of the corporation and the heterogeneity of communities were identified as constraints to effective dialogue. Conversely, the importance of treating locals with dignity and respect through early, proactive engagement was highlighted as vital to the development of relationships of mutual trust.

Advancing the argument of this thesis, the focus of CSR needs to be widened to respond to claims for recognition and not just redistribution. Without demonstrating a willingness to negotiate directly with locals and a sustained commitment to treat locals as full participants in the resource project, it is likely that corporations will be limited in their capacity to achieve a 'harmonious relationship'. On a more optimistic note, the Bougainville and Papua data do point to the fact that locals do value and foresee opportunities to develop positive relationships with management, prior to any demands for the distribution of large amounts through community development funds.

An important observation in this chapter was the way in which large natural resource companies can allow dialogue to be co-opted by the state and its security forces. The following chapter expands this discussion through an analysis of the indignity of violence in prising open new conflicts and falsely labelling them as threats to 'national unity'.

Chapter 9: Corporate Security Politics

Site of interdependence	Disengaged (CSR as it mostly is)	Engaged (CSR reconfigured)
Human rights violations	Corporations don't acknowledge the tensions between local communities and official authorities	Corporations recognise the hostilities and fears that local communities have of national authorities and seek to open new spaces of security

The site of interdependence between the three companies and the Bougainville and Papua conflicts analysed in this chapter is human rights violations, through the lens of corporate security politics. The deployment of private and public security forces to protect natural resource projects has been a contributing factor to conflict associated with extractive projects in recent years. Concern about the issue has resulted in international initiatives such as the Voluntary Principles on Security & Human Rights, which aim to assist corporations to adhere to international human rights standards in their security arrangements. As discussed in Chapter 1, these global initiatives have been developed in response to significant scandals in the industry, where the use of private and public security has led to accusations of human rights violations by actors

funded by large corporations. The experiences of Freeport in Papua, Shell in Nigeria and Total/Chevron in Burma are particular cases in point.

By comparing the cases of Bougainville and Papua an important difference between the BCL and Freeport experiences becomes visible. While both companies have been associated with state security forces, this association has been borne of quite different approaches. BCL did not explicitly seek the protection of the PNGDF, nor was it obliged to engage them under the Bougainville Copper Agreement. However BCL nonetheless became involved in accusations of human rights violations when the PNGDF responded to violent attacks on the mine⁶².

As such, it was BCL's *lack* of preventive security that implicated the company in these accusations. In contrast, Freeport has financially supported the Indonesian security forces as a requirement of its Contract of Work with the Indonesian Government. Consequently, Freeport is perceived to have justified the presence of the Indonesian security forces in areas surrounding the mine. The BP example represents yet another security approach. Through the implementation of a Community Based Security Strategy, BP has explicitly sought to distance itself from the actions of the Indonesian military based on the previous experience of Freeport.

Analysing the security practices of the three companies, this chapter argues that BCL

⁶² An accusation of BCL/Rio Tinto's complicity in war crimes is one complaint filed in a lawsuit filed in the US under the Alien Tort Claims Act. However, this lawsuit is not believed to be representative of the general view of Bougainvilleans. Rather the lawsuit is believed by some informants to have been filed in the interests of the individual filing the case (Dr Alexis Sarei), or that the case has been effectively hijacked by the lawyers (BOU40).

and Freeport have failed in different ways to recognise the fears about and hostilities towards, the state's security apparatus. Quite differently, BP has made important progress, broadly recognising and responding to the apprehension that Papuans hold towards the Indonesian military. This has been made possible through the company's willingness to consider alternative models of corporate security, as well as a level of ambivalence about stories of Indonesian state sovereignty over Papua.

Bougainville

With the exception of the Rorovana landowner protests in 1969, the use of security to protect the mine has not been a dominant issue in the relatively large body of literature on the Bougainville conflict. This is because the security forces that were employed to protect the mine before the conflict have generally not been accused of violating human rights or violence towards local landowners.

Security before the crisis

When the land that would be used for the development of the mine was first mapped out by CRA, security for company staff was provided by the Australian colonial Administration. As a current executive of BCL explains:

...everything was controlled by the police – the Administration. For example, when the women laid themselves on the ground to resist the mine, it was the police in control of security (BOU1).

An important event for the Administration to handle during the construction of the mine was the Rorovana landowner protests. These protests were staged in response to

the Administration's attempt to acquire land for the development of a port as a part of the mine's infrastructure (BCL, 2010-2011). The protests were partly motivated by the compensation offer of \$105 per acre of land to be used by BCL, plus \$2 per coconut tree (Cooper, 1991, p.62). Instead of responding to the protests through communication and negotiation, the Administration sent riot police to Bougainville to protect BCL surveyors who were marking the boundaries of the Rorovana land required. This response resulted in a major confrontation on 5 August 1969, between, "bulldozers with lines of riot police carrying batons, shields, rifles and respirators facing a motley crowd of about 65 villagers, men and women and some children, unarmed and quite defenceless" (Cooper, 1991, p.63).

The Bougainvillean tactics of non-violent resistance hit front-pages back in Australia, where Sydney newspapers published headlines such as, 'Australia's Shame' and, 'Australia's Bullies in New Guinea' (Denoon, 2000, p.2). According to Braithwaite, Charlesworth, Reddy & Dunn (2010, p.16), the news reports did indeed outrage many Australians adding, "to the impetus in the Australian Labor movement to push for early independence" for PNG. However as discussed in Chapter 5, the Australian Administration's priority at the time was to facilitate PNG's independence and unification into a single state. A consequence of this focus on PNG independence was that no attempt was made to re-examine "the social justice of the mine through the lens of the local landowners" (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.16).

As briefly discussed in Chapter 7, one strategy BCL adopted to educate itself about the social impacts the mine might have on Bougainville, was to seek the advice of anthropologist, Douglas Oliver. According to Denoon (2000, p.201), in spite of the

Rorovana landowner protests, Oliver advised BCL that local, “opposition would be limited, and that people would be reconciled to the mine eventually” (Denoon, 2000, p.201). Oliver’s assessment of the situation was so unquestioned within the company’s management that it did not treat potential security threats by Bougainvilleans with any seriousness.

When the mine began production BCL put large numbers of unarmed private security in place around the mine site. However the focus of this security apparatus was to prevent accidents, rather than deliberate violence (BOU38, Former ABG Department CEO). According to Bougainvillean former BCL employees who participated in this study, the provision of training for BCL employees was generally at a very high standard. However training to respond to civil disturbance was not provided, as such a scenario was not considered likely. This reflects BCL’s belief that the major threats to mining operations did not relate to civil unrest, but were largely environmental, such as earthquakes and landslides (BOU34, BOU35, BOU38). A current BCL executive supports this view stating that:

...when the mine was running we had a well organised unarmed security. Its main reason for being there was to keep people safe and off the mine site (BOU1).

The assumption that conflict would not arise as result of the mine points to the company’s general inability to imagine and/or empathise with the interests of Bougainvilleans. This point is not made to advocate the removal of armed security, or to suggest that no substantial security strategy is required around mining development projects. Rather, it is made to indicate that engagement with the concerns of locals is

crucial to the development of a security approach that doesn't impinge on the rights of locals, or increase the likelihood of conflict. This is particularly evident in relation to BP's security approach in Papua, which will be discussed later in this chapter.

Conflict begins

...The worst mistake [of the PNG Government] was bringing in the police mobile squad. They were the worst criminals. They started subjecting people to torture and frightening people. That really upset the Bougainvilleans. They were forced to take up arms. It turned into an outright war. Became an island wide thing (BOU35, Bougainvillean former BCL employee).

The legacy of the early approach of the PNG Government in relation to unrest on Bougainville was a disastrous conflict ignited by armed attacks on the mine by members of what became the BRA. As indicated, BCL did not have any strategies in place to deal with such incidents. BCL's position changed dramatically following an ill-informed decision by the PNG Government to send in riot police to bring an end to the violence. However rather than bringing the violence to a halt, the abuses perpetrated by the riot police had quite the opposite effect. Indeed, the introduction of PNG riot police proved to be a decision that would fuel a civil war.

Between 1987 and 1988, the NPLA organised public demonstrations against the mine, culminating in violent attacks on BCL property, including minor looting, arson and the use of explosives (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.23). The most damaging attacks occurred in 1988 when, *"the [electricity] pylons [of the mine] were blown up by Sam Kauona on instructions from Francis Ona who formed the BRA"*

(BOU26, Bougainvillean women's leader). In addition to attacks on the pylons, an incident occurred in which a bus was shot at in the area of the mine site,

...two employees were injured. That was it. It was too dangerous to go. Only essential [BCL] staff will remain til further notice. Then they [BCL management] started assessing the seriousness. If one shot was fired, more would be up
(BOU34, Bougainvillean former BCL employee).

A Bougainvillean women's leader living in the vicinity of the mine at the time further recounted,

...at 3.30 we were told the first pylon was blown up. Buses were taking employees and dropping them off. My husband came and said it's bad – four people were shot (BOU32).

A build up of similar attacks over successive months led to the mine's eventual closure in 1989, at which time all foreign BCL employees were evacuated. As discussed in Chapter 7, a key debate in the Bougainville literature is whether Sam Kauona and Francis Ona intended to permanently close the mine or whether they, "aspired to reopen the mine under a new income-sharing formula that might one day support an independent Bougainville" (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.23). Regardless of the motivation, the crucial point for Bougainville's security politics at the time was that the Government's response was insensitive to the potential for the behaviour of the PNGDF to spark pre-existing ethnic tensions (Regan, 2001, p.2).

With the PNG Government unable to absorb the loss of revenue that resulted from the disruption to mining operations, a Police Mobile Squad and the PNGDF were deployed

to restore the situation (Rolfe, 2001, p.41). However this decision did little by way of restoration, but a lot to fuel conflict. One reason this decision fuelled rather than neutralise the conflict was that Bougainvilleans were already resentful about the impact that the large numbers of migrants from other areas of PNG were having on their local communities.

Bougainvilleans were angry with the Papua New Guineans, particularly those from the Highlands, who arrived in search of economic opportunities from the mine but who also created new social problems⁶³. In particular, the migrants were held responsible for an increase in violence and harassment towards local women. Tensions ignited when Highlanders killed a Bougainvillean nurse during a time in which BRA membership was increasing. As a Bougainvillean women's leader recounted:

...the Highlanders were scattered all over the island. It was risky for women because the Highlanders killed a nurse... Before this, the issue was only about BCL, and then it became chasing squatters. [The murder] happened in 1989... [It was] one of the main contributors to why young people joined [the] BRA side (BOU26).

The insertion of the PNGDF into Bougainville can be seen to have further enflamed pre-existing ill will held by Bougainvilleans towards Papua New Guineans. As the former President of Bougainville James Tanis argues, instead of seeing the PNGDF state forces as coming to the aid of local civilians, Bougainvilleans saw "the colour of their skin" and

⁶³ This will be discussed more extensively in Chapter 10.

associated them with colonial domination by PNG (Regan & Tanis, 2010). A key problem for BCL in responding to the eruption of the conflict was that its management team had never entertained the possibility for it to occur. As Vernon, (2005, p.267) states, “what was not foreseen was the way in which the deeply ingrained sense of separateness that characterised so many groups in PNG would be accentuated by the project”.

The decision to insert of the PNGDF into Bougainville and the ensuing civil war was indicative of both the company and the Government’s lack of understanding of the social consequences of the mine. The most significant issue in this respect was the resentment Bougainvilleans felt towards the presence and behaviour of the PNG Highlanders (also known locally as ‘Redskins’) who migrated to Bougainville following the opening of the mine. As a former Bougainvillean employee of BCL stated:

...what compounded those issues was the influx of people - Redskins. They have their own culture different to ours. Dealings caused problems. The mine drove those people here⁶⁴ (BOU5).

In this way, the failure of BCL and the Government to deal with the social issues that emerged on Bougainville alongside the development of the mine can be seen to have predetermined the violence that followed the deployment of the PNGDF to Bougainville. As Ogan claims, “the entry of the PNG security forces and their variably brutal and grotesquely ineffectual activities created a qualitative change in a conflict

⁶⁴ However, plantation work also brought migrants from other parts of PNG to the island.

that might otherwise have taken a less catastrophic course” (Ogan, 1999, p.8). This ‘catastrophic course’ was marked by allegations of human rights violations on all sides. The newly formed BRA can be seen to have committed human rights violations that corresponded to the types of violence inflicted by the PNG security forces (Regan, 2001, p.4).

By time the conflict had escalated in 1989, BCL believed they had lost any opportunity to resolve the problems associated with the mine and felt they had no choice but to evacuate its entire staff. One option that BCL might have considered at this point could have been to announce a pause in operations, and organise a meeting with all factions of landowners. As discussed in Chapter 8, the NPLA had in fact called a meeting with BCL and the Government, but BCL executives chose not to attend (BOU24, Chief/Landowner).

The Bougainville conflict, which began with problems associated with a resource extraction project, gave rise to broader claims for independence when Ona’s attacks against the mine and the Government, “struck a responsive chord across all of Bougainville and spontaneous attacks on government and foreign property erupted in many places in sympathy” (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.24). As a Bougainvillean women’s leader recounted:

...PNG soldiers were also killing people, the civilians. Everybody was frightened.

At the same time, PNG withdrew [government services]. There was no law and order...they killed many in the mountains. Killing even young children. They wanted to control the situation when BRA started damaging properties of BCL.

PNG withdrew all government workers and sent soldiers to rule this place

(BOU26).

The removal of services on Bougainville led to a significant increase in the level of support for the BRA, with some estimates indicating up to 300 armed and active members by 1990 (Wesley-Smith, 1991, p.189). However as discussed in Chapter 4, not all Bougainvilleans endorsed the actions of the BRA. The BRF for example, harnessed increasing support in the early 1990s. The BRF fighters blamed the lack of services available to Bougainvilleans on the BRA's violence, and were angered by the criminal behaviour of some BRA combatants (BOU15, ex-BRA combatant). In this way Bougainvilleans became pitted against Bougainvilleans, adding new complexities to the conflict.

Preventive security and the future of the mine

The question that this discussion on BCL's corporate security practices raises is: if BCL had treated the initial protests of Bougainvilleans with more seriousness, could the civil war have been avoided, or put differently, 'preventive security' achieved? Alternatively, would the outcome have been more comparable to the repressive actions of the Indonesian security forces around Freeport (discussed in the next section)? The steps taken by the PNG Government in response to attacks against the mine in 1989 suggest that the Government may have been more inclined to the latter scenario, but the position of BCL remains unclear. A current executive of BCL for example, responded to a question about whether or not current human rights initiatives for the extractive sector would have been effective in the context of the Bougainville conflict in this way:

...there were no voluntary initiatives or human rights standards at the time the mine operated...Contemporary voluntary standards wouldn't change things much. (BOU1).

The contemporary existence of voluntary human rights standards indicates a greater awareness of the potential for resource extraction projects to lead to violence. However the presence of these standards does not necessarily guarantee that companies adhering to them will adopt a more interactive/engaged approach to working with security threats and/or disruptions. Moreover the application of an external standard can result in a 'tick the box' approach that does not take into account the unique contextual and cultural dynamics at play. This is demonstrated in the Bougainville case where the key lapse in BCL's security approach related to a colonial assumption that Bougainvilleans would passively accept the mine, as well as a lack of foresight as to how the insertion of more Papua New Guineans who impinged on the rights of Bougainvilleans would enflame an already volatile situation.

Papua

As we have seen throughout this thesis, an ongoing grievance held by Papuans centres on the contested way in which their territory was incorporated into Indonesia. This incorporation also established one of the key structural features of the conflict: the provocative actions of the Indonesian security forces. These security forces have been accused of human rights violations throughout Papua in the name of protecting both the 'national unity' of Indonesia and its 'vital national assets', which are understood to include large extractive projects.

The lack of concern for Papuan rights in context of national development and unity has led Indonesia to be counted as “one of three countries (along with Colombia and Nigeria) in which human rights in the corporate sphere are most obviously endangered” (Ballard, 2001, p.9). This has raised concerns within the extractive industry as to whether it is possible to invest in Papua while maintaining a commitment to international human rights standards (TIAP, 2009, p.47). Moreover while the utilisation of state security forces may in the past have paved the way for international companies to enter conflict sensitive areas (by repressing local protests), it has now become a major reputational concern.

The remainder of this chapter will show how Indonesia’s security approach to Papua is illustrative of a ‘contradictory narrative’ between protecting the national unity of Indonesia (the perspective of Jakarta) and the violation of Papuan human rights (the perspective of Papua’s independence movement). This contradictory narrative is also reflected in the respective security practices of Freeport and BP.

On the one hand, Freeport (reflective of the Indonesian state view), entered Papua with the assistance of the TNI, yet has explicitly denied the company’s involvement in human rights violations. This denial has been achieved by relying on a narrative of state sovereignty, which distances the company from accusations of complicity in the behaviours of the Indonesian security forces. In contrast, BP has acknowledged the issue of Indonesian sovereignty as a constraining factor to the protection of human rights in Papua, but its security practices have not been driven by it. Rather the key driver of BP’s security approach is based on:

...the hypothesis that if people feel they benefit from the BP project, they will

guard it (Papua 41, BP Indonesia employee).

The chapter will explain how BP's Community Based Security model has opened a new space of security in Papua. Consequently, BP has made some progress in recognising Papuan fears and apprehension towards the TNI.

Narratives of unity and threat

As discussed in Chapter 5, the stories that states and minority groups tell about the past have important implications for the present and visions of the future. In Papua, the stories that the Indonesian state has told about the development of the TNI are also important for understanding corporate security in the region. The TNI has been a strong facet of Indonesia's self constructed identity since it gained independence from the Dutch in 1948. The TNI was a revolutionary army who believed they could build their nation. The success of the TNI in an armed struggle against the Dutch "gave rise to the perception of the army as the institution that preserved the Indonesian nation and provided the rationale for the military's role in politics" (Rabasa & Haseman, 2002, p.8). This historical account has not only entrenched a perception amongst Indonesians of the TNI as the 'guardians of national unity', but has been used to justify the TNI's actions against separatist sentiments within Indonesia (Blair & Phillips, 2003, p.63). More specifically for the purposes of this discussion, it has provided a legitimising rationale for the presence of the TNI in areas surrounding the Freeport mine in the name of protecting the state's assets.

This rationale became most evident when Suharto gained control of the TNI and shifted its attention away from external enemies and towards internal threats to the

regime (Ballard, 2001, p.9). The TNI constituted the state's interest and ultimately came to align directly with the interests of Suharto, his party Golkar and his cronies. This mandate for the TNI as the guardians of the regime and its financial resources established the conditions for human rights violations surrounding large extractive projects (Ballard, 2001).

Indonesia has also drawn on a narrative of national unity in response to separatism in Papua, which along with Aceh has felt the full force of the TNI (Rabasa & Haseman, 2002, p.107). Indeed despite wide reports that the OPM has, "weakened, lacks ammunition and relies on bows and arrows" (TIAP, 2009, p.12) the Indonesian Government has maintained a militarised approach in Papua for over 40 years.

The TNI in Papua and the Indonesian economy

As we have seen throughout this thesis, the actions of the TNI in Papua have been intricately linked to the historical injustices that Papuans feel they have suffered as a result of integration into Indonesia through the Act of Free Choice process. Sadly however, the fall of Suharto in 1998 did not bring an end to the militarisation of Papua. While the TNI is no longer believed to be committing human rights abuses on the scale of the 1960s, high numbers of troops are deployed in Papua and pose a continued threat to cultural expression and Papuan autonomy. As Widjojo argues, political violence in Papua is psychological and structural. "The Papuans' experience of political violence nurtured a collective memory of suffering, or what is known as *memoria passionis* [memory of suffering]" (Widjojo, 2010, p.12).

National stories have been drawn upon to justify the large military presence in Papua.

However the TNI also has a financial interest in maintaining its Papua presence. According to Blair and Phillips (2003, p.8), the TNI must raise a significant proportion of its own revenue due to the fact that it receives only 25-30 per cent of its budget from the national government. The rest is raised through a mixture of legal and illegal activities, including payments by extractive companies for security. On an individual level, soldiers are also poorly paid with mid-ranking soldiers earning \$60 to \$95 per month and high-ranking officers earning \$110 to \$350 per month in 2001 (The Economist cited in Blair & Phillips, 2003, p.62). This situation creates strong individual incentives to participate in corruption, and has exacerbated the lack of TNI accountability to civilian authorities (Human Rights Watch, 2010, p.2).

As we will see in the case of Freeport, the military's lack of accountability and the need to raise revenue through business activities has embroiled the company in a broad range of accusations of human rights violations. The economic interests of TNI in Freeport's mining activities have also undermined attempts to control and reform the Indonesian security forces, and have fuelled human rights violations both in the vicinity of major natural resource projects, and throughout Papua (Human Rights Watch, 2010, p.2).

Freeport's security practices and the narrative of state sovereignty

...Freeport as a foreign company – as a national asset should be looked after. In this case by the arm [sic]. In the government's mind it is a good way and the company also... Freeport is the operator. It has a contract with Indonesia – it has to abide by the law and its by-laws (Papua 45, Former Freeport employee).

The most visible link between TNI and the Indonesian economy has been the presence of troops around the Freeport mining area. This presence can be described as one of the most long-standing Papuan concerns regarding Freeport's operations in Papua. As a Papuan NGO worker stated:

...the problem is because Freeport is making trouble for a very long time. Since the contract, Freeport pays security (Papua23).

The presence of TNI in areas surrounding Freeport's concession has also limited the capacity of local people to speak freely against the actions of TNI troops and the social and environmental impacts of mining. As one Papuan from Timika stated:

...They [local Papuans] are scared to talk about it. There are many human rights violations – especially of the Amungme tribes. Freeport makes people scared by killing and kidnapping in the area. People are scared of asking Freeport for information (Papua25).

A particularly significant security issue in the vicinity of Freeport's mining operations were the 1996 riots. Many Papuans believe the riots were orchestrated by the military but were:

...accused on Papuan independence organisations (Papua14, Papuan Human Rights Activist).

The motivation for these actions is considered to stem from the military's need to source external funding. By orchestrating attacks but attributing them to local separatists, the military can justify their ongoing value to Freeport, and secure well-

paid contracts into the future. Similar accusations have been levelled at the military for numerous shooting incidents around the Freeport area from 2002-2011. Responsibility for these violent incidents has been caught in a blame game between Papuan activists and TNI. The Indonesian Government and Freeport have sided with the military by attributing the attacks to separatists seeking to destroy assets of national importance. However, Papuan advocates for independence vehemently deny these accusations.

One of the shooting incidents around the Grasberg mine occurred during August 2002 when teachers working on contract for Freeport, two from the United States and one from Java, were killed. Despite a lack of evidence the military, government officials and senior Freeport management publicly attributed the attack to Papuan separatists, with a Jakarta court later sentencing a Papuan villager, Antonius Wamang to life in prison (Kirskey & Harsono, 2008, p.165). The sentence occurred despite the fact that both police and US intelligence reports linked the murders to the military rather than to Wamang (Kirksey & Harsono, 2008, p.165).

Advocates for Wamang's innocence believe the main suspects involved in the shooting are members of the *Tenaga Bantuan Operasi* (TBO). The TBO is a group of civilians who give logistical assistance to the Army Special Forces Command (*Kopassus*). Some of the civilians are believed to be Amungme and Dani people who are trained in Java to work for the army to instigate violent incidents⁶⁵ (Papua 14, Papuan Human Rights activist).

As a Papuan human rights activist stated:

⁶⁵ Others are simply civilians who provide basic support to the armed forces, such as food.

...those in TBO stand in front of every tribal war – they are the spirit maker to make tribal war from Dani and Amungme groups (Papua14).

According to Ballard and Banks (2007, p.22), if the military was responsible for the murders, they were likely motivated by Freeport's attempts to wean the security forces of its financial assistance. Freeport's attempts to cease financial ties with the military followed national level reforms, which sought to tighten the control of TNI (Blair & Phillips, 2003, p.8). However, instead of improving the human rights situation around the mine, these reforms are believed by many Papuans to have created jealousies between the military and the police, who both orchestrate attacks in the Freeport area in order to secure security payments. The military is then accused of blaming the attacks on the OPM to justify the continuation of their contracts. As a Freeport employee explained:

...[the] shootings took place because Freeport tried to stop military and only use police. Blame [Kelly] Kwalik⁶⁶ and local people on this. They have already enjoyed the cake too much...In 2007 it [Freeport security] changed to policemen. This gains jealousy between the two. When security is taken by policemen, army get jealous of this. They make incident to show they need army (Papua12).

These suspicions heightened when subsequent shootings took place following further attempts to decrease the company's financial assistance to the military. As Braithwaite,

⁶⁶ Kelly Kwalik was a leader of the OPM, killed by Indonesian police in 2009. The police accused Kwalik of a series of attacks in the Freeport mining area in 2002.

Braithwaite, Cookson & Dunn (2010, p.69) argue in July 2009, “there were a further series of perhaps six shooting incidents near the mine in which one Australian mine engineer and two Indonesians were killed and many others were wounded”. In response to the shootings, Papuans and international NGOs have demanded that Freeport cease its ties with the Indonesian security forces. Freeport has responded to these demands by pointing to its legal agreement with the national government that binds it to work with TNI. In a letter addressed to Global Witness, for example, Freeport’s Vice President for Communications stated:

...pursuant to the Government’s declaration that our company’s mining operations are a Vital National Object...there is no alternative to our reliance on the military and police in this regard...The Indonesian Government – not our company- is responsible for employing its security personnel and directing their operations (Collier, letter reproduced in Global Witness, 2005, p.19).

In deferring to the sovereignty of the Indonesian Government and its requirement that the Indonesian security forces protect all ‘vital national assets’, Freeport has distanced itself from any responsibility for the actions of TNI in its area of operation. Consequently the company has failed to act on important opportunities to make a lasting contribution to improving human rights standards in Papua.

The possibility of conceptualising Freeport’s responses to the shooting incidents as a positive CSR opportunity missed was raised in an interview with a former Freeport employee. While he acknowledged that the company recognises that, “*Papuans using bows and arrows*” did not undertake the shootings, he maintained that:

...Freeport is a foreign company – it can't talk about politics – by law it can't interfere (Papua45).

As a consequence of Freeport's persistent deference to Indonesian law and sovereignty regarding the actions of the security forces, the company has foregone important opportunities to transform the popular local perception that the company not only operates in its own financial interest, but also in the interests of the Indonesian security forces (Papua9, Papuan religious leader).

Others are more understanding of the constraints facing Freeport in changing its security approach, but still critique the lack of will on the part of Freeport to limit the presence of the military around the mine. As a former Freeport employee stated:

...Freeport is trying to change – they are more open for human rights – they are taking it seriously. But it will take time because of the surrounding environment. Freeport cannot say it wants less troops...it has had small opportunities...but I don't think they were successful to capitalise because Freeport is too strategic (Papua11).

While recognising that constraints on Freeport do exist (namely, the legal requirements of the Indonesian state for the protection of major resource projects), BP's entry into Papua reveals that these constraints don't necessarily need to 'drive' the company's interactions with the military. As will now be discussed, BP has implemented a new approach to security in Papua that challenges Freeport's insistence on submission to state law, and the narratives that have upheld the presence of TNI in the areas surrounding the Freeport mine and beyond.

'A model to avoid': BP's development of community based security

...Tangguh was both welcomed as a new model for international corporate conduct and feared because of Papua's past experience (TIAP, 2009, p.47).

When BP first entered Papua the company acknowledged to both stakeholders and shareholders that security would be the most difficult and sensitive issue faced by the Tangguh project (BP, 2003, p.17). Following the advice of TIAP, BP recognised that Papuans hold significant distrust and fear of the Indonesian security forces based on prior experience of Freeport. This recognition was a significant learning from BP's initiative to undertake a human rights impact assessment for the project. As a BP employee stated:

...Tangguh is the only company with a human rights impact assessment in Indonesia. [It was] the basis of developing community based security to facilitate and prepare the system for security in the Tangguh area...Because in the human rights impact assessment it already identified the community based security system in the Indonesian police - but it has never been implemented (Papua8).

As with Freeport, BP is required to subsidise security expenses mandated by BPMIGAS (Blair & Phillips, 2003, p.64). However as an alternative to financially supporting TNI, BP has implemented a community-based security approach. The development of this approach came in response to the recommendation by human rights consultants that:

...BP should urge the highest levels of the Government of Indonesia to limit TNI and Brimob deployments and, if necessary, seek support for this position from

the U.S. and U.K. governments (Smith & Freeman, 2002, p.2).

In response to this recommendation, BP stated:

...as in all countries, the provision of security is ultimately the exclusive prerogative of the state, and we have to work within that framework. Our hope is that the adoption of a community based regime for Tangguh, in which our stakeholders, particularly those in Bintuni Bay, play an active and integral part of the Project's security, will reduce the risk of human rights incidents from taking place (BP, 2003, p.15).

This statement suggests that although BP has acknowledged that it must operate according to the security regulations set by the Indonesian Government, it can nevertheless adopt proactive strategies that may challenge this requirement. For BP's efforts to reduce the presence of TNI in the Bintuni Bay area, BP's security strategy has been recognised as an exemplary model by the UN Global Compact as it:

...presents the opportunity to develop mutual trust, respect, and employment in the local community [which] can lead to closer relations and considerably lessen the chances of misunderstanding leading to violence or security issues (UN Global Compact, 2010, p.17).

The model developed on the basis of a comprehensive consultative process between parties at the local, regional and national levels (Papua, 8). During these consultations it was discovered that community based security could be designed to fall within the parameters of official Indonesian defense doctrine. BP executives uncovered a concept in Indonesian defense doctrine referring to a model of community policing that had

never been implemented as a form of corporate security (Papua, 8). When this was discovered:

...BP organised a national conference of community security with the national security guardian board, with the generals who train the police on the philosophy of the country. They advised us to bring this to the national security board for them to agree... We said it is the same as community based policing (Papua8).

An executive of BP Indonesia further described the process:

...The concept before it was used; we brought it to the National Defense Institute to discuss entirely. We agree on the type of strategy. They say, 'OK, let the people manage it'. We referred to human rights abuse and how to minimise human rights abuse. A member of the British Embassy was there – the aim was to change the perspective of the Indonesian Government (Papua41).

This quote illustrates a willingness on the part of BP to resist relying on a story of state sovereignty to justify financially supporting the Indonesian security forces. While the company has recognised the constraints it faced in developing the new approach, it did not let those constraints overwhelm the company's ideals. Significantly in TIAP's 2005 (p.25) report, the panel quoted the Regional Military Commander as stating:

...while pointing out that Tangguh is a vital national project, he described the principles of ICBS as the new mechanism for security at projects like Tangguh.

The components of Integrated Community Based Security

The main component of BP's ICBS strategy is a social contract, "between the Project and the community to preserve order and mutual respect, resolving issues through negotiation and discussion rather than confrontation" (BP, 2003, p.20). One way in which BP has attempted to achieve this goal is to use unarmed locals from the BP area for everyday security of the project, and a commitment to only call the police if a security problem escalates. In contrast with the case of BCL in Bougainville, BP recognised that disruptions to the project were likely to occur, and additional problems could result from the presence of security personnel from different social, cultural and ethnic backgrounds. According to a BP Indonesia executive:

...93 per cent of security guards are Papuan and mostly from the local area. We recruit from local area because during their day off they go back to the village and become a tutor about how to obey the law – especially on alcohol and household abuse... [They] become a tutor and lead the community to obey the law rather than have a conflict (Papua39).

As mentioned in relation to the Bougainville copper mine, it is this emphasis on communication and a willingness to engage proactively with the community that is the key difference between BP's security approach and that of BCL and Freeport. Significantly in 2007, the Asian Development Bank claimed in a social monitoring report of the Tangguh project that there were, "273 guards in the ICBS programme of whom 258 are Papuans" (Asian Development Bank, 2007, p.13). These security guards have all completed, or are scheduled to receive human rights training by Papuan human rights NGOs. According to a Papuan involved in the human rights training of the guards, the

course consists of:

...basic understanding of what human right is and how to handle mass conflict.

How to react in case of conflict. Most materials are taken from the general declaration on human rights – the covenant on civil and political rights about social and economic rights – basic principles of human rights... Then conflict resolution- how security guards make resolution after conflict (Papua14).

When asked if the respondent believed the training provided was sufficient to avoid human rights violations in the vicinity of the Tangguh project, he stated, *“it depends on the scope of the conflict. Small scale – yes. But if it involves the unity of several tribes it is impossible for them to do it”* (Papua14). It is BP’s policy that the military should be called in to assist with a security disturbance, “only as a ‘last resort’ upon the coordinated request of BP security and the Papua Police” (TIAP, 2005, p.24). An executive for BP Indonesia further stated:

...If the problem becomes bigger and can’t rely on our security we call the police. And then if they can’t handle it they ask the military...We only call the police – we can’t call the military. If the police need more then they call the military (Papua41).

This statement is in line with BP’s initial 2003 response to the human rights impact assessment on the issue of military deployment. BP argued that, “any attempts to dictate ‘principles...to limit military deployment’ with or without BPMIGAS support would likely be seen as a transgression of that sovereign right” (BP, 2003, p.18). However BP also recognised that it could potentially capitalise on the dialogue

established with government officials through the development of the ICBS program, as an opportunity that, “may give BP some ability to influence such issues as the location, strength, and missions of other Police and military deployments” (2003, p.18).

Similar to Freeport however, BP has faced the same problem of the TNI’s history of economic interests in natural resource projects. One of the biggest risks the company has faced in the implementation of ICBS is that the TNI might orchestrate attacks similar to the shooting incidents around Freeport. As a BP Indonesia executive stated:

...because of military jealousy we are trying to leave no black gap – we keep them updated on progress. They come in regularly and we remind them about the project...We maintain the relationship but keep them in the barracks... It could also relieve the military of feeling left out – but only on the training, [we need to] make them feel involved (Papua39).

Although the ICBS program cannot make human rights training compulsory across TNI, training is offered and troops are encouraged to participate. Significantly, many Papuans involved in consultancy work for BP mentioned that it is not uncommon for troops to request to undergo the training. Moreover the TIAP (2009, p.56) claims that the Indonesian Government is now asking companies to include similar programs in their production-sharing contracts.

BP’s community based security approach has primarily been well received in Papua and has gained acceptance at local, regional and national levels. However due to the long history of controversies regarding TNI and Freeport, not all Papuans are convinced about community security. As a Papuan human rights advocate stated:

...about the security system. It is good. Community based security. The local community guard the company. But I believe Brimob is also inside the company. You cannot say no policemen (Papua14).

Further, a Papuan religious leader commented:

...I am still so pessimistic about this because they are contractors for the government. There must be government responsibility inside to protect – there must be army or policemen inside even if not in uniform (Papua9).

Many Papuans acknowledge that while it is be too early to herald BP's ICBS security approach an unmitigated success, they do respect the effort the company has made in comparison to Freeport. Consequently, BP can be seen to have made some progress in recognising the fears about, and hostilities towards, the Indonesian security forces. While the company has acknowledged the constraints to eliminating the presence of troops around the Tangguh project, it has attempted to open a new space of security and facilitated human rights training.

Conclusion

BCL and Freeport have failed in different ways to recognise the fears and hostilities that Bougainvilleans and Papuans hold towards national security authorities. In Bougainville, BCL's security approach was symptomatic of the company's colonial view that Bougainvilleans would passively accept the mine and that security would not be required. The question this raises is, which is preferable: a security approach that rests on the assumption that no civil disturbance will occur, or the imposition of a repressive

security force to clamp down on any potential unrest? It was argued that a total lack of security is equally as problematic as the imposition of a repressive regime. Both these approaches reflect a lack of engagement with broader local fears and in doing so; increase the likelihood of reactive measures, even panic, when disruptions occur. As we saw on Bougainville, it was the inability of BCL management and the PNG Government to foresee the consequences of sending in riot police and PNGDF into Bougainville that transformed a landowner dispute into a civil war.

In contrast to BCL Freeport is, and was, required by Indonesian law to draw on the state's security forces to protect the mining area. This has implicated the company in numerous shooting incidents that are widely believed to have been orchestrated by the military to justify its presence, and secure ongoing revenue to 'protect' Freeport. This security situation is pathological because it puts both the military and OPM in the position of being able to instigate a security incident, blame the other as responsible, and be believed by many. It was argued that this scenario has been made possible because of three core issues: national stories relating the development of TNI; national stories relating to unity and disintegration which has characterised Indonesia's security approach towards separatism in Papua; as well as increased financial benefits to security forces in response to earlier riots. In this way, security problems surrounding Freeport are not solely about the financial interests of the TNI. While the TNI clearly has financial motives, these motives interact with a 'metanarrative' of Indonesia towards Papua. Using Fraser's (1996, p.9) terms, Papuans are distinguished by the "lesser esteem, honor, and prestige they enjoy relative to other groups in [Indonesian] society".

Importantly, BP has shown that the state narratives and requirements can be challenged or worked around when there is a commitment to recognise the fears of the local community and think creatively about possible alternatives that will meet the needs of all parties. This quality of recognition and engagement with the consequences of the resource project on local people is a key difference that sets BP's approach apart from the other two case study companies. Thus while Freeport may have a larger CSR budget to BP, it is this type of engagement which proves more effective and meaningful. However, given the inherent complexity of any social landscape, it is not necessarily easy to predict the consequences of business practices. The following chapter explores the various efforts made by all three companies to predict the social consequences of their business practices, and the limitations of Social Impact Assessments to assist companies in this process.

Chapter 10: Social Impact Assessments

Site of interdependence	Disengaged (CSR as it mostly is)	Engaged (CSR reconfigured)
Community disruption	Corporations maintain social disruption and do not contribute to community development	Corporations seek to alleviate new social problems through community development

An important observation in Chapter 9 was the need for natural resource companies to engage with the potentially harmful effects of drawing on the State’s security forces to protect their facilities. The problem this chapter explores is the limited capacities of large corporations to predict the likely social impacts of their business activities on local communities, other than to broadly recognise that resource development may initiate rapid and fundamental change. The focus of this chapter is different to the discussion in Chapter 7 about the creation of new divisions over access to resource wealth. This chapter focuses on the social impacts of resource development beyond competition for revenues. These impacts include ethnic tension, new class relations and the weakening of traditional social structures.

Through a discussion of the social impact and monitoring assessments of BCL, Freeport and BP, this chapter will show how the three resource projects have created a number of new social problems that were either not anticipated during the initial stages of operations, or that the companies were unwilling to engage with. Moreover the focus of this chapter is the sixth site of interdependence, community disruption.

Consistent with the broader argument of this thesis, we will again see how distributing material resources to local communities is not always sufficient to resolve local grievances. Rather, the three cases illustrate the need for a continuous commitment to engage with the consequences of resource development on local communities, and to use local grievances as the basis for a more meaningful engagement.

Social Impact Assessments

‘Social Impact Assessments’ are the most commonly used tool by the natural resource industry to identify the positive and negative *potential* ‘social’ impacts of an extractive project. Social impacts refer to changes in local social and cultural systems through, for example, the distribution of new forms of wealth to certain members of the population (see Ch 7), changes in the natural environment (see Ch 11) and the migration of different ethnic groups into resource-producing regions (to be discussed later in this chapter).

Defined broadly, Social Impact Assessment’s include:

...processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned

interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment (Vanclay, 2003, p.5).

Social impact Assessments are not a new phenomenon, having originally emerged in the 1970s in response to new environmental legislation in the US (Freudenburg, 1986, p.451). As a result, they have been closely associated with Environmental Impact Assessments and CSR more broadly. Despite the close association with Environmental Impact Assessments, analysts such as Lockie (2001, p.277) argue that Social Impact Assessments are less substantive as the 'social' represents a far less predictable domain than the environment. This complexity is evident in Latour's (2005, p.5) understanding of the social as not a "thing among other things, like a black sheep among other white sheep, but a *type of connection* between things that are not themselves social".

Social Impact Assessments are undertaken by a range of actors, including employees of resource companies, consultants and/or regulatory agencies of host governments. They can also be structured according to the regulatory requirements of the financial lenders for the resource project, such as the World Bank and the Asian Development Bank. Moreover, a new field of applied social research has emerged alongside the development of Social Impact Assessments with numerous academics, business associations and NGOs involved in the creation of new methodologies and models.

Despite the diversity of methods and models, the dominant criticism regarding Social Impact Assessments is that the natural resource sector privileges 'technocratic

rationality' based on the view that, "it is possible to control the actual or potential opposition of local landowners..." (Filer, 1990, p.98). Consequently, locals are not empowered to track and define the more 'subjective' social impacts associated with the exploitation of natural resources, such as new fears (e.g. the use of the military as a source of project security) and aspirations (e.g. preferences among a younger generation to gain employment within large corporations). As Lockie (2001, p.279) argues:

...in privileging the quantifiable, technocratic rationality empowers governments and developers by highlighting apparently positive impacts, such as regional economic and employment growth, while ignoring those that are not measurable; the variable impact of changes within affected communities; and the subjective and cultural meanings that these changes hold within communities.

This claim links with Latourian theory (2005, p.6), which posits that the meaning of the social has shrunk over time, "starting with a definition which is *coextensive* with all associations, we now have, in common parlance, a usage that is limited to what is left *after* politics, biology, economics, law, psychology, management, technology, etc...".

Indeed a narrow understanding of the social as something that is measurable can drive out other important impacts. Further, critics of Social Impact Assessments argue that the process generally falls short of its greater potential. As Joyce and MacFarlane (2001, p.3) claim:

...at one end, the SIA is a dynamic, ongoing process of integrating knowledge on

potential and real social impacts into decision-making and management practices; at the other end, it is a static, one-shot technocratic assessment undertaken to gain project approval of financing, with little or no follow through. Most SIAs fall somewhere on a continuum between the two.

This quote indicates that while large corporations do recognise that their operations are likely to have significant social impacts it is, “no easy task to devise a program which can actually limit or control the community breakdown process” (Filer, 1990, p.106). Extending this critique of Social Impact Assessments, the remainder of this chapter argues that BCL, Freeport and BP have failed to diagnose, predict and resolve the social impacts of their business practices. This failure is evident in the disparity between the social impacts identified and the CSR projects implemented.

Bougainville

To BCL’s credit the company attempted to understand the potential social impacts that the mine might cause. While these attempts can be viewed as inadequate, they were undertaken despite the absence of any formal requirement imposed on BCL. As discussed previously, BCL sought the advice of the distinguished anthropologist, Oliver, and in 1973 sponsored a socio-economic survey (Scott & Company, 1973). Through this survey, BCL attempted to gain an understanding of the potential consequences of the mine on PNG’s economy and society, as well how PNG’s economic and social environment might influence its own business activities (Scott & Company, 1973, p.4).

Population growth and in-migration

The earliest concerns and/or predictions regarding the social impacts of the Bougainville copper mine related to population growth. People numbers on Bougainville had experienced steady growth since the 1930s and accelerated in the 1970s and 1980s. By 1989, mine-affected villages such as the Nasioi and Nagovisi had one of the highest rates of population growth in the world (3.5 per cent) (Applied Geology Associates, 1989, p.4.1). According to John Connell (1990, p.47-8), the main concern regarding this population growth was that it would result in future land shortages, put pressure on local resources and lead to greater demand for modern sector employment. These issues did not eventuate as the war greatly reduced the population in the region of the mine, both through the death of a large proportion of Bougainvilleans and by causing New Guineans, Chinese and Australians to flee.

In 1968, Oliver (1968, p.218) advised BCL that population concerns were a dominant theme in local resentment of the mine. Bougainvilleans believed BCL was 'looting' their Island, leaving them with nowhere to live or plant crops. Moreover, Bougainvilleans who were not opposed to mining in general believed there would be nothing left to mine once PNG gained independence from Australia (Connell, 1990, p.48). However as a result of the war, only a small proportion of the resource extraction occurred before PNG's independence.

In terms of how population growth would influence BCL's business activities, Oliver (1968, p.219) advised management that local concerns about land acquisition would continue to increase. Oliver thus sent a warning signal to BCL that any further pressures placed on land through population growth would be problematic and would

exacerbate these concerns. What the company less understood, however, was the way in which the in-migration of New Guineans especially Highlanders, in search of economic opportunities would lead to ethnic tensions (Vernon, 2005, p.267).

While Oliver (1968, p.228-9) did warn the company, "...direct or *uncontrolled* contacts between CRA personnel (Europeans, Asians, 'Redskins' and non-local Bougainvilleans) and local Bougainvilleans are going to result in incidents detrimental to CRA's interest..." he did not foresee migrants remaining on Bougainville if they did not gain employment at the mine. The failure to predict this outcome is reflected in the only recommendation Oliver put forward to BCL in regard to avoiding racial conflict: that BCL develop its proposed mining town of Arawa in a sparsely populated area away from local villages (Oliver, 1968, p.229). The number of migrants was significant, with estimates that the squatter population amounted to approximately 4,400 people, with only 54 per cent engaged in some type of employment and about two-thirds of children in these settlements not attending school (Applied Geology Associates, 1989, p.4.7).

Despite the chronological link between the establishment of the mine and the proliferation of squatter settlements on Bougainville, BCL claimed the problem of 'vagrant migration' was an issue between the provincial and national Governments (Bougainville Copper Limited, n.d, p.15). However neither the provincial nor central government can be seen to have adequately dealt with the situation. An Applied Geology Associates (AGA) review of the impacts of the mine claimed, "...after much discussion of possible policies, there was little direct action either to reduce squatter numbers or to upgrade welfare services in squatter settlements" (Applied Geology

Associates, 1989, p.4.6). BCL's argument was that although the provincial government was keen to restrict migration from other provinces, "political implications at the National level have continued to militate against positive action" (Bougainville Copper Limited, n.d, p.14). The issue of migration on Bougainville was not adequately addressed as the two main actors responsible for the mine; the central government and BCL were more concerned about negative political implications at the national level.

Employment

BCL's responsiveness to the interests of the national government also dominated its employment practices. As an executive of BCL stated, *"there was a preference towards PNG but the trouble was [that] it was not to Bougainville separately"* (BOU2, BCL executive). The fact that BCL focussed more on creating employment opportunities for citizens from all over PNG than for local Bougainvilleans supports the argument made in Chapter 6 that resource companies are often responsive to priorities of host governments at the expense of local landowners. As former Chairman of BCL, Don Carruthers (1990, p.62), explains:

...the Company and the Papua New Guinea Government saw Bougainville Copper as an operation for the country as a whole. For this reason it was felt that employment opportunities should be available for people throughout the country, with the main criterion being suitability for the job.

Accordingly, BCL executives proudly reported their indigenous employment figures, with estimates that during the construction period, approximately 10,000 people were

employed, of which 6000 were indigenous (Moulik, 1977, p.12). In spite of these figures a number of criticisms were levelled at BCL for their employment policies. For example, Denoon (2000, p.168-9), highlights the low wages of Bougainvillean employees in contrast to expatriates. However this is also true of foreign aid workers and other professionals working on Bougainville today, and is not on the face of it a criticism unique to BCL.

The issue of whether BCL could have done anything to raise the wage for its Bougainvillean employees has caused some debate. While BCL is believed to have wanted to reduce inequalities between expatriates and indigenous wage levels, it was constrained in doing so by the PNG Government (Harvard Business School, 1974, p.10). A Bougainvillean former employee of BCL supports this claim, *“PNG tried to stick to minimum wages. It should have raised them to divert the crisis”*⁶⁷ (BOU14, Former BCL Employee).

The Bougainville data collected for this study indicate conflicting views as to whether Bougainvilleans were treated fairly in regards to employment levels and conditions. While some Bougainvilleans said, *“BCL was a very good company to work for because they looked after the employees”* (BOU5, Bougainvillean former BCL employee), others criticised the lack of opportunities for Bougainvilleans to elevate to senior positions. For example one Bougainvillean former employee of BCL claimed:

...[BCL] should have provided the opportunity to elevate Bougainvilleans to

⁶⁷ However, it is not clear why PNG would do this given it goes against their national interest.

senior levels. It was an injustice. I was convinced I should be up there [on the board of directors] after 16 years (BOU6, ABG Department CEO/Former BCL employee).

Either way, the main social impacts associated with employment did not take the form of tensions between staff over wages, but rather what employees did with this money when they returned to villages.

One of the most important problems associated with the transition of an increasing proportion of the Bougainvillean population participating in the labour market was the breakdown of traditional village culture, or what Filer refers to as a, “process of local social disintegration” (Filer, 1990). A crucial impact of more opportunities for employment on Bougainville was that it resulted in gradual changes within traditional village authority. Bougainvilleans identified the potential for this to occur early in the life of the mine and Oliver relayed this concern to the company’s management through the following account:

...CRA will have a bad effect on our young people. They go there, earn lots of money and many evil ways and when they come home they will not do as we tell them anymore (Oliver, 1968, p.214).

This concern became a reality in the 1970s when it appeared that men were beginning to usurp the role of women’s rights over land, as well as their authority over younger men in the village (Togolo, 2005, p.283). In spite of this transformation, Togolo (2005, p.283) argues that Filer’s (1990) use of the concept “social disintegration” is an inappropriate characterisation. In Togolo’s view senior women continued to play an

important role in the community. Moreover Togolo (2005, p.283) argues that “despite social tensions, the quintessential elements of the society held together...”. Nonetheless changes in village authority can be seen to have had crucial implications on the control of the younger generation who were enjoying the benefits of a cash income for the first time.

As a consequence of the breakdown of traditional forms of authority and the fact that many young men became more interested in employment at the mine than traditional farming occupations (Moulik, 1977, p.186), village elders found it hard to maintain social control.

Income derived from new forms of employment also led to the creation of a new “class struggle” (Filer, 1990, p.90), with increasing economic inequality between those who were engaged in some form of employment and those who were not. One consequence of this inequality was that it left many young men who were not working for the mine without a source of income at a time when significant changes were occurring within their village culture. Although BCL executives claim the company was not in a position to, *“offer anything to young men outside employment”* (BOU2, BCL executive) the lack of opportunities the mine created for a significant proportion of young men motivated them to join the BRA. As Regan (1998, p.275) claims, “BRA’s strongest support came from frustrated young men with few economic opportunities for whom membership of the BRA gave power and status”.

Despite the scale of the aforementioned community disruption, BCL did in fact adopt numerous social and employment policies, “unusual for mining companies in less-developed countries at that time” (Harvard Business School, 1974, p.8). Unfortunately,

as suggested earlier many of BCL's early community development initiatives (such as scholarships, medical aid, and community grants) failed to achieve their objectives and, "most (seemingly) altruistic actions may have produced *negative* results" (Oliver, 1968, p.224). Oliver's main criticism of BCL's early voluntary social initiatives was that they were implemented without an adequate understanding of possible consequences. Oliver's advice to improve these initiatives was for BCL to gain a more adequate understanding of the events and general social trends on the Island (Denoon, 2000, p.167). Oliver believed this knowledge would enable the company to implement community projects that would target actual rather than imagined needs of locals. As Oliver stated, "there is a crying need for roads, and no single thing would be treated with more satisfaction" (Oliver, 1968, p.227).

In summary, BCL's affirmative action policies were largely driven by the company's enlightened self-interest in appeasing the national government. In turn, these policies led to disruption within the community that the company was unable, and in some cases unwilling to adequately address. According to Oliver, this was largely because BCL did not have a sufficient understanding of the situation on Bougainville at the time. Subsequently, BCL had minimal capacity to foresee the potential impacts of the community projects it implemented.

Papua

The social impacts of resource extraction projects associated with Freeport and BP in Papua are similar to those discussed for Bougainville. They include: the in-migration of people from other parts of Indonesia who have come to dominate local space, as well

as limited opportunities for Papuans to elevate to senior employment positions.

As has been highlighted throughout this thesis, Freeport had little concern for environmental and social issues in the early stages of its business activities in Papua (Rifai-Hasan, 2009, p.29). The 1967 Contract of Work with the Indonesian Government did not include regulatory requirements concerning social or environmental impact assessments. Further, the company did not seek the advice of anthropologists or other consultants in the way that BCL did in the initial stages of the Bougainville mine.

In spite of this lack of interest in considering or addressing potential social impacts, Banks (1999, p.4) argues that various forms of social monitoring of Freeport's mining activities in Papua have occurred from time to time. However these did not occur until well into the 1990s, and mainly focused on environmental issues (Ballard & Banks 2007, p.7). In fact it was not until 2004 that Freeport granted an organisation, the International Centre for Corporate Accountability, permission to conduct and publish the findings of an audit of the social and environmental consequences of the Grasberg mine (see International Centre for Corporate Accountability, 2005). As such, there is much less information publicly available on the predicted social impacts of Freeport's mining activities in comparison with the Bougainville case.

In contrast to Freeport and as a result of the more substantive social and environmental regulations with which major natural resource companies must now comply, BP was obliged to engage in a more rigorous social impact process prior to the construction of the Tangguh project. The BP case provides an instructive contrast to BCL's perspective on what companies can and cannot achieve in relation to immigration and economic opportunities.

According to BP's Summary Environmental Impact Assessment (SEIA), environmental studies in the area of the Tangguh LNG project commenced in 1998 (BP, 2005, p.1). However it was not until 2000 that detailed environmental and social impact assessments were carried out (BP, 2005, p.1). As discussed in Chapter 6, the exchange of land for the Tangguh project occurred in 1999. This means that the exchange took place before any considerable social and/or environmental impact processes had taken place. Therefore it is reasonable to question how much knowledge the locals had of the social and environmental changes that would occur before 'agreeing' to 'sell' (see Ch 6).

On 25 October 2002, the Indonesian Government ruled that the Tangguh Project had complied with its environmental impact analysis (*Analisis Mengenai Dampak Lingkungan* [Integrated Environmental and Social Impact Assessment] or 'AMDAL') (BP, 2005, p.1-2). In order to be granted approval under the AMDAL process, BP was required to produce three reports: an environmental impact assessment analysing the Project's environmental and social impacts; an environmental management plan which outlined mitigation plans; and an environmental monitoring plan which detailed the monitoring and compliance plans (Hickman & Barber, 2011, p.5).

Under the AMDAL process, social impacts are included in the analysis of environmental impacts. This supports broader critiques that the social consequences of resource development are primarily considered as add-ons to the more comprehensive environmental monitoring requirements (Banks, 1999, p.1). However in addition to AMDAL, BP has been required to produce Social Impact Reports, plans and monitoring processes in order to secure the backing of international financial donors, the Asian Development Bank and the Japanese Bank for International Development. These

documents include: an Indigenous Peoples' Development Plan (BP, 2006b), Resettlement planning document (BP, 2006a), as well as the publication of annual reports by the TIAP (see Ch 8). These reports are publicly available through BP Indonesia's website.

There have been two major criticisms of these documents to date. As discussed in Chapter 7, Hickman and Barber (2011, p.9) raise concerns that they are not entirely neutral or independent, as BP has commissioned them⁶⁸. Secondly, Down to Earth has criticised BP and its advisors for failing to review how the Project will affect men and women differently (Down to Earth, 2005, p.10). The neglect of women's rights in BP's social impact and monitoring assessments is evident in the absence of issues such as; gender balance in employment, women's involvement in decision-making, and disruptions to sources of income for women in these documents (Down to Earth, 2005, p.10). Also, there are no female representatives on the TIAP panel. Despite these criticisms, the level of transparency afforded by the availability of these documents provides a unique opportunity to observe the social consequences of a resource extraction Project in a way that is not possible in relation to most projects.

Population growth and in-migration

In spite of BP and Freeport's (later) attempts to minimise the social impacts of their business operations, both projects have led to considerable population growth and tensions along ethnic lines. However the situation for Papuans is arguably worse than

⁶⁸ However, this criticism is not specific to BP as Social Impact Assessments are usually sponsored by the operating company.

for Bougainvilleans for two reasons. Firstly, the Freeport mine has resulted in an influx not just of economic migrants, but also large numbers of Indonesian military (see Ch 9). Second, the domination of local space by non-indigenous Papuans has been perceived by Papuans as a deliberate strategy on the part of the Indonesian government to 'Indonesianise' Papua (see Ch 5). However a large proportion of non-Kamoro and non-Amungme Papuans have also migrated to areas surrounding the Freeport mine in search of economic opportunities and often share problematic relationships with the Amungme and Kamoro landowners.

Before the fall of Suharto in 1998, the Indonesian Government sponsored an official policy of transmigration to Papua in order to relieve population pressure from overpopulated areas of Indonesia, as well as to provide a supply of cheap labour to foreign-owned plantations (Leith, 2003, p.96). Because the large number of migrants resulted in indigenous Papuans becoming a minority on their own land, many Papuans viewed the policy as a deliberate attempt by the Government to subsume Papuan identity within a singular 'Indonesian' identity (Elmslie, 2011). The experience of ethnic marginalisation has been historically entwined with Freeport's mining activities, as the areas surrounding Freeport's Contract of Work have been targeted by the Indonesian Government for the placement of transmigration settlements (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.75). The Amungme and Kamoro peoples thus claim that Freeport is not only responsible for the presence of these settlements, "but also their economic viability and continuation" (Leith, 2003, p.207).

Like the squatter settlements surrounding the Bougainville copper mine, large numbers of Indonesian migrants and non-local indigenous Papuans arrived in areas surrounding

the Freeport mine in search of economic opportunities. According to one social and environmental monitoring report (International Centre for Corporate Accountability, 2005, p.21) for example, the population within Freeport's Contract of Work area was less than 1,000 at the time of the initiation of mining activities in 1967, but grew to more than 120,000 by 2005. This has made the area surrounding the mine one of the most highly populated in the province (Ondawame, 1997).

Again, similar to the Bougainville case, rapid population growth associated with mining in Papua resulted in greater competition for economic opportunities (International Centre for Corporate Accountability, 2005, p.21). Compounding this, Cook (2001) claims one of the greatest sources of antagonism has been an influx of neighbouring tribal groups into the vicinity of the Amungme and Kamoro communities. According to Cook, tensions between the Amungme and the Kamoro and neighbouring groups have exceeded those between Papuans and Indonesians⁶⁹ as they share a long history of tribal warfare. This claim is supported by Leith (2003, p.96) who argues that:

...this volatile mix of rival *sukus* [tribal groups] forced into close proximity (rather than conflict between Indonesians and Papuan residents) has, to date been the cause of the greatest tension and violence in the area.

As discussed in Chapter 5, Freeport exacerbated tensions in the mid-1990s, by including tribal groups that the Amungme and Kamoro resented for encroaching on

⁶⁹ It is important, however, not to dismiss the tensions that do exist between the Indonesian migrants and Papuan residents as a result of "widespread Indonesian racism...which blames them for being 'primitive', 'stupid', 'lazy' and worse" (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.76).

their land as beneficiaries of the One Per Cent Trust Fund. In this way, the contested distribution of the Fund heightened pre-existing conflict between tribes (Soares 2002, p.136). More importantly, TNI provoked inter-tribal conflict to justify their security services. This new kind of conflict has been referred to as 'military wars' (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.118). Wanting to prove that the security situation in the Freeport area under the leadership of the police is worse (see Ch 9), TNI can be seen to have manipulated traditional fighting. This has occurred by supplying guns for one side thereby altering the rules and means of traditional warfare (see Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.117-8).

In contrast to both BCL and Freeport, BP has made an explicit attempt to avoid significant migration into the communities surrounding the Tangguh Project. The strategies employed by BP include: a policy of no onsite recruitment at the LNG plant; programs to limit construction worker off-duty activities in and around the Bintuni Bay area; affirmative action policies relating to local employment; returning employees home for rest periods and when their employment ends; paying wages in places where people are originally hired; and accommodating workers in closed camps.

According to BP, the aim of these measures is to "avoid the 'honey-pot' syndrome and the impact of excessive spontaneous in-migration into the Bintuni Bay area" (BP, 2007, p.11). As an executive of BP Indonesia stated:

...the strategy is to recruit from open ports around Papua and send back to post rather than have them marginalise local people. We are giving the chance for local workers first and then we look for another one. Start with locals. We are not aiming to make discrimination but it is designed to manage expectations

and reduce jealousy (Papua39, BP Indonesia executive).

Additionally, BP has initiated programs to counter the negative impacts associated with in-migration such as increased pressure on existing infrastructure and services; greater competition for jobs and training; crime; violence; alcohol abuse; prostitution; ethnic tension; and the erosion of traditional cultures (BP p.l.c, 2012b). In spite of these initiatives, BP claims that it is ultimately the central government that is responsible for restricting access to the area surrounding the Tangguh project. It claims:

...ultimately, in-migration policy is a matter for the Indonesian government. We can offer advice and advocate specific actions - but cannot successfully address the issue acting alone (BP p.l.c, 2012b).

The TIAP panel has supported this view, asserting that it is up to local leaders to decide the restrictions that should be placed on migrants. Consequently, the TIAP advised BP that its core responsibility is to maintain programs to limit worker off-duty activities and, “benefit to the maximum extent possible the original members of the community and support them economically” (TIAP, 2002, p.25). In 2009, the TIAP reported that a process was underway to regulate immigrant activities through, for example, a deposit of fees for transportation back to the migrants’ place of origin; limitations on the length of stay; and permissible activities (TIAP, 2009, p.55). These regulations were developed in response to the TIAP’s findings in 2009 that:

...there are large numbers of migrants in each of the RAVs [resettlement affected villages]. Their population has grown from 1,074 to 2,153, with Onar having the most dramatic growth of almost 300% (TIAP, 2009, p.50).

This result however, also revealed an unintended consequence of BP's compliance with the Asian Development Bank's requirements on the forced relocation of villages surrounding the Tangguh project. These requirements include the development of new housing and community facilities (see BP, 2006a). According to the TIAP, the new housing and community facilities that BP was obliged to provide was the main attraction for the arrival of large numbers of migrants to these villages. An Indonesian NGO worker involved in monitoring the Tangguh project told me that many of the houses BP built for the relocated villagers have since been sold by the villagers to migrants from Java (Papua30, Indonesian NGO worker). This suggests the houses provided to the locals were either inappropriate for their lifestyle, that the gains of selling outweighed the loss of the house, or possibly a combination of both.

While the TIAP does not go so far as to suggest locals have been selling the houses provided to them by BP, it does suggest that:

...many of the migrants are sharing or renting homes of the original residents.

This has raised tensions over agricultural and fisheries resources, village governance, population management, and social issues including prostitution, alcohol and gambling (TIAP, 2009, p.50).

According to Down to Earth (2005, p.9), migrants are particularly interested in staying with the locals so that they can gain employment with BP for positions that are set-aside for indigenous Papuans (discussed in the following section). The migrants do this by seeking the recommendation of the village head and Village Development Committee that BP classify them as 'local people'. In return, the migrants pay the village head between Rp50, 000 to Rp1 million (US\$5-100) and give cigarettes to the

committee leader (Down to Earth, 2005, p.9). This claim has been confirmed by the TIAP, who have reminded BP of their responsibility to ensure that all jobs designated for locals are in fact given to indigenous Papuans⁷⁰ (TIAP, 2011, p.6).

Employment

As discussed in relation to Bougainville, employment practices and the income they generate can have a number of important flow on effects detrimental to the welfare of local communities, such as the breakdown of traditional village structures and increased economic inequality. Although the employment practices of Freeport and BP have led to similar effects in Papua, there a number of important differences.

The first difference is that unlike BCL, Freeport was not quick to localise the mine's workforce. As a consequence of the close relationship between the company and the Suharto regime, Freeport did not share BCL's concern that the government might one day fully nationalise the mine. As discussed in Chapter 5, Suharto was more interested in signalling to the international community that Indonesia was 'open for business'. As a result, Freeport largely neglected the professional development of indigenous Papuans for over 25 years, and it is only since the mid-1990s that the company has adopted an affirmative action employment policy.

One of the most significant policies Freeport implemented in the 1990s was a

⁷⁰ In addition to increased competition for BP employment, they have also taken opportunities away from Papuans to participate in commercial activities in surrounding areas, such as motorcycle taxis and food kiosks.

commitment to double the employment of Papuans at the mine by the year 2000, and to double it again by the year 2006 (International Centre for Corporate Accountability, 2005, p.9). While both these targets were exceeded and represent a considerable improvement (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.74), by 2008 the number of Papuans directly employed by Freeport amounted to only 3,352 (29 per cent) out of a total workforce of 11, 659 direct employees (PT Freeport Indonesia, 2008, p.23). Moreover Freeport took 25 years longer than BCL to reach the same proportion of indigenous employment. However as was the case on Bougainville, the achievement of employment targets in Papua has not necessarily resulted in satisfaction amongst the indigenous workforce. As a Papuan member of the *Tongoi Papua* claimed:

...80 per cent of employees are Indonesian and 20 per cent are Papuan – mostly in low level jobs. The relationship inside is good but sometimes in promotion it is different. I don't know what they say – it's always special for their people [Indonesians] (Papua24).

One consequence of competition between Indonesians and Papuans for Freeport employment is that, similar to Bougainville, it has created a new kind of class struggle, “between those who have jobs and those who do not, and those that have supervisory positions (overwhelmingly migrants) and those who do not” (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.16). Competition for Freeport employment therefore, has added a class dimension to ethnic tension between Papuans and migrants from other parts of Indonesia.

In response to Papuan concerns relating to the perceived lack of opportunity to elevate

to senior positions, Freeport was advised in 2005 to move away from a sole focus on employment targets. As the report of the International Centre for Corporate Accountability (2005, p.11) states:

...the issue about Papuan employment cannot end with reaching an employment goal alone; it must also deal with on-going issues of Papuan employee satisfaction, fair treatment for Papuans in the workforce and enhanced opportunities in the future.

This recommendation was based on Freeport's slow progress in providing training and apprenticeships to local Papuans. For example it was not until 2003 that Freeport formed the Nemangkawi Mining Institute, which provides apprenticeships and career development opportunities for hundreds of Papuans and other Indonesians each year (PT Freeport Indonesia, 2008, p.23). Freeport's delayed commitment to local training and education has resulted in small numbers of local Papuans possessing the skills required to achieve employment with the company. This in turn has been used to justify Freeport's inequitable recruitment of Papuans.

BP: Employment at Tangguh

BP's employment practices at the Tangguh Project have been quite different to those of BCL and Freeport. One major difference is that BP has been obliged under the AMDAL process to favour local people since the initial stages of construction. Specifically, BP is required to give preference to applicants from the nine directly affected villages surrounding the Tangguh project.

BP's employment obligations include a commitment to a gradual increase in the

number of Papuan employees. Targets have been set at 31 per cent initial operations stage, 62 per cent after 10 years, and 85 per cent after 25 years (BP, 2005, p.35). In regard to the initial stage, BP committed to employ at least one person from each of the 700-800 households in the nine directly affected villages to help construct the LNG facility (BP, 2005, p.15). In 2009 the TIAP (2009, p.20) reported that BP had successfully achieved this commitment, confirming that job offers were made to at least one member in every family.

A concern regarding Tangguh's construction workforce was that it was only short-term. While a cohort of 5,800 workers was required to construct the facility, this number dropped to just 450 when operations began (Hickman & Barber, 2011, p.13). Hence, the biggest concern for BP and its advisors in regards to employment was how to limit the potential negative effects of a sudden, yet temporary, increase in employment opportunities.

One strategy BP deployed to mitigate the potential negative impacts of short-term employment was by financing a vocational training centre for workers in carpentry, plumbing, electricity and welding (BP, 2007, p.12). The aim, according to BP was, "to support the transition of [the] construction workforce to non-Project employment as construction related employment starts to decline" (BP, 2007, p.17). Demonstrating impressive foresight, and in contrast to the view of the BCL executive who claimed that the company could not offer opportunities outside of the mine, BP believed it could provide skills beyond those needed by BP in order to reduce the potential for long-term dependency (BP, 2007, p.3).

Recognising that contractors would recruit most of the construction workforce, the

TIAP panel also advised BP to encourage its contractors to train and recruit ethnic Papuans (TIAP, 2002, p.23). While TIAP were aware that BP did not have direct control of its contractors (TIAP, 2003, p.13), the Panel stressed the issue of employment was one of the key expectations and primary benefits to be derived from the Project (TIAP, 2003, p.20). Consequently, BP wrote into the terms and conditions of its contracting agreements a requirement that contractors employ a certain percentage of Papuans (TIAP, 2006, p.16).

By 2006, the TIAP panel reported, “thus far, BP and its contractors have met most of their obligations for employment of local villagers and Papuans” (TIAP, 2006, p.16). However the Panel did add, “because so few Papuans are skilled in the areas needed, many of these jobs are short term and have little potential for advancement” (TIAP, 2006, p.16-7). Like Freeport, BP has argued that its need for skilled workers has constrained its capacity to employ local Papuans.

By 2007 the construction workforce at the Tangguh project peaked at more than 10,000 people, of which 3,000 (30 per cent) workers were Papuan, including 608 (about 6 per cent) from the directly affected villages (TIAP, 2008). In this way BCL, Freeport, and BP can be seen to have all shared the 30 per cent local employment figure, with the main differences being the length of time required to reach this figure, and the temporal nature of employment at the Tangguh site.

Despite the achievements of BP’s local employment initiatives, the TIAP has maintained pressure on the company to educate the construction workforce on the demobilisation process in order to mitigate the impact of any shock or disappointment when employment ceases (TIAP, 2008, p.3). By 2009 the TIAP reported that the

demobilisation process was well under way, with most Papuan employees having returned to their homes and most, but not all, non-Papuans having left Papua (TIAP, 2009, p.4). Moreover BP provided temporary assistance to employees from the nine affected villages in their return to traditional fishing, and some were provided training for employment in the operations phase of the Project (TIAP, 2009, p.4).

In spite of the post-employment provisions put in place by BP, the TIAP maintains that the limited employment and other economic opportunities for Papuans will remain a serious issue for the long-term (TIAP, 2009, p. 69). However the Panel's most recent report (TIAP, 2011, p.5) claims, "regional and local leaders, although anxious for more employment and advancement of Papuans, are pleased at BP's efforts and accomplishments thus far".

Conclusion

This chapter argued that BCL, Freeport and BP's business activities in Bougainville and Papua have led to considerable community disruption within local communities associated with population growth, class struggle and transformations of traditional forms of authority. It was argued that the problems brought about by these changes were either not anticipated during the initial stages of the resource projects, or the companies were unwilling to engage with them. Yet as Latour (2005, p.41) argues:

...for scientific, political and even moral reasons, it is crucial that enquirers do not in advance and *in place* of the actors, define what sorts of *building blocks*

the social world is made up of.

The social world is heterogeneous, constantly shifting and unpredictable. Given this complexity, it is crucial that natural resource companies engage with these impacts continuously through preventive peace dialogue (see Ch 8).

In relation to the Bougainville case, it was argued that BCL did not foresee that many migrants would be attracted to remain on Bougainville despite not securing employment at the mine. Consequently the company and government had no policies in place to regulate migration to Bougainville once the mine opened, and failed to address the proliferation of squatter settlements. With regard to employment, it was argued that BCL's primary interest was in appeasing the national government, rather than ensuring economic opportunities for local Bougainvilleans and the preservation of their traditional village cultures.

In relation to the Papua case, it was argued that Freeport did not have adequate strategies in place to engage with the potential social impacts of its mining operations. This was demonstrated by the slow localisation of the mine's workforce and the poor provision of training to indigenous Papuans. In contrast, BP has been obliged to engage in a more rigorous social impact assessment process as a result of new Indonesian and international regulations, and has embraced the challenge. In spite of this, the Tangguh project has produced similar social problems to those that afflicted communities surrounding the BCL and Freeport mines. However a key difference is that BP is considered by local leaders to have made a significant effort to engage with and mitigate these negative social impacts (TIAP, 2011, p.5). BP's strategies have not been completely successful in alleviating all negative impacts. However a positive perception

has been maintained overall due to the company's successful strategy of ongoing engagement with the TIAP and designing community development projects to target the social problems associated with the project.

A common theme in both the Bougainville and Papua cases has been the importance of empowering locals to define for themselves the impacts associated with natural resource development. The next chapter explores this in more depth, through a discussion of local inclusion in environmental protection measures.

Chapter 11: Environmental Damage

Site of interdependence	Disengaged (CSR as it mostly is)	Engaged (CSR reconfigured)
Environmental Damage	Environmental impact assessments are conducted with no local participation and opportunities to contest the results are repressed	Environmental impact assessments are conducted with local participation and opportunities to contest the results are provided.

This chapter focuses on the seventh site of interdependence between the companies and the root causes of conflict in Bougainville and Papua: environmental damage. As discussed in Chapter 10, concern for the social impacts associated with resource development has often formed a component of larger assessments of environmental impacts. In practice however and based on Western technocratic conceptions of the environment and reliance on scientific analysis, large corporations are inclined to treat the ‘social’ and the ‘environmental’ as separate domains.

Beginning with a discussion of ‘sustainable development’ discourse, Western conceptions of the environment will be contrasted with those of Melanesian cultures. The work of Escobar (1995) and Banerjee (2003) will be drawn on to question the

model of development that tends to be ascribed to and perpetuated by multinational resource extraction companies. This theoretical paradigm will then be applied to the Bougainville and Papua cases. Through this analysis the chapter seeks to demonstrate that corporate and state actors do not share the same cultural attachments to land as local communities. Yet these actors usually make decisions relating to environmental management. This has a tendency to provoke conflict as it triggers strong feelings of injustice relating to the control of land and the denial of local wisdom. The chapter explains that by learning to be more interdependent with indigenous peoples, resource companies might develop more meaningful, less Western and more socially and spiritually engaged forms of ecological interdependence.

Sustainable development

The concept of 'sustainable development' emerged in the 1980s alongside heightened concerns about the deterioration of the environment, natural resources and the consequences for economic development (Banerjee, 2003). These concerns emerged alongside greater awareness of the ways in which human activity might threaten the future survival of the planet (through problems relating to global warming, ozone depletion, declining biodiversity, environmental pollution and the scarcity of natural resources) (Shrivastava & Hart, 1995). As Escobar argues, sustainable development has been "part of a broader process of the problematisation of global survival" (Escobar, 1995, p.194).

The term sustainable development came to prominence following a report compiled by the World Commission on Environment and Economic Development in 1987, chaired

by the former Prime Minister of Norway, Gro Harlem Brundtland. The 'Brundtland report' defines the goal of sustainable development as:

...meeting the needs of the present without compromising the ability of future generations to meet their own needs [which] should become a central guiding principle of the UN, Governments and private institutions, organizations and enterprises (WCED, 1987).

Following the publication of the Brundtland Report, there has been greater recognition by the private sector that, "the economy and society depend on the biosphere and environmental processes occurring within them" (Dunphy, Benveniste, Giffiths & Sutton, 2000, p.22). This reflects a reworking or re-understanding of the relationship between nature and society in which there is greater recognition that the future of the global economic system is dependent on the future of the planet itself.

Heightened attention to the environmental costs of economic development has led to the emergence of numerous regulatory initiatives concerning environmental protection by the extractive industry. This includes the conduct of environmental impact assessments prior to the development of large resource projects, as well as the implementation of independent monitoring and evaluation processes throughout the life of the project. It is also customary for large natural resource extraction companies to publish 'sustainable development reports' alongside other CSR commitments on company websites.

While the adoption of the sustainable development discourse by the extractive industry has been far-reaching, there are many concerns relating to its intent and

implications. The dominant concern relates to its impact at the, “broader level of the political economy” (Banerjee, 2003, p.145). The main concern is that notions of sustainable development progresses Western assumptions that economic growth is an assumed good⁷¹. Situating his critique within a broader analysis of ‘development’ as a, “historically singular experience” Escobar (1995, p.195) for example, argues sustainable development:

...focuses less on the negative consequences of economic growth on the environment than on the effects of environmental degradation on growth and potential growth. It is growth (read: capitalist market expansion), and not the environment, that has to be sustained.

In this way Escobar derides the sustainable development discourse as a, “feat of Western rationality” (1995, p. 192) that is intended to create the impression that only minor adjustments to the market system are needed to launch an era of environmentally sound development (1995, p.197).

There are two aspects of Escobar’s critique that are particularly important in the context of this chapter. The first relates to the capacity of sustainable development to lead to greater environmental protection. The second centres on the assumption, “that the benevolent (white) hand of the West will save the Earth” (Escobar, 1995, p.193). Moreover aside from skepticism that sustainable development will trigger the institutional reform required to reconcile economic development with environmental

⁷¹ This mirrors the Down to Earth (2003) critique of BP’s dialogue initiatives discussed in Chapter 8 that they are based on the assumption the resource project will go ahead.

protection, Escobar argues that the discourse fails to facilitate a move, “away from conventional Western modes of knowing in general in order to make room for other types of knowledge and experience” (1995, p.216). The sustainable development discourse, in Escobar’s view thus fails to encourage corporations to engage with less Western and perhaps more meaningful, forms of environmental protection.

Sharing Escobar’s (1995) two-pronged critique of sustainable development, Banerjee (2003) asks, “Who sustains whose development”? Banerjee (2003, p.144) claims:

...as with development, the meanings, practices, and policies of sustainable development continue to be informed by colonial thought, resulting in disempowerment of a majority of the world’s populations, especially rural populations in the Third World.

As a result of the colonial logic that underpins the global economy (see Ch 5), Banerjee (2003, p.144) characterises sustainable development as a, “unitary system of knowledge”, which instead of promoting an alternative path to development, focuses on sustaining the global economy more or less as it currently exists. Thus in Banerjee’s view, sustainable development is more likely to further marginalise or co-opt traditional forms of knowledge than empower alternative environmental management practices, or alternative means to economic development more broadly.

The following section discusses the discrepancies between Western and Melanesian conceptions of the environment, and the failure of large corporations to adapt to these different understandings. Building on the work of Escobar and Banerjee, it will be argued that Melanesians hold a more holistic (Banks, 2002, p.41) conception of the

environment than that which tends to dominate Western business practice. In Melanesian societies, environmental damage or ecological problems are rarely solely about the 'environment', but are also about cultural identity, land control and access to resources. These issues cannot be solved through corporate environmental strategies alone, and can be seen to require a more radical rethinking of processes of economic development more broadly.

Melanesian conceptions of the environment

In contrast to Western conceptions of the environment as separate from society, environmental consciousness in Melanesian societies has been described as fusing, "the social, cultural, political, economic, and environmental landscapes..." (Banks, 2002, p.41). Land forms the basis of group membership and nationality (Ballard, 1997, p.48) and is a source of political power and cultural sustenance. Indeed in contrast to the West there are no clear distinctions, "between the environment and the rest of one's daily life" (Banks, 2002, p. 41).

Melanesian conceptions of the environment have led some Western environmentalists to characterise Melanesians as 'noble primitive ecologists' or 'natural conservationists' (Macintyre & Foale, 2002). The idea of the 'noble primitive ecologist' is perhaps as problematic as contests over the Noble Savage debate that has dogged anthropologists over successive generations (Ellingson, 2001). Indeed Macintyre and Foale (2002) contest the 'noble primitive ecologist' characterisation claiming there is no such thing as a, "natural conservationist ethic in Melanesia". Those who do make this claim, according to Macintyre and Foale, fail to acknowledge the, "degrading ecological

transformations brought about by indigenous inhabitants” themselves. The authors argue that even in cases where companies are required to negotiate the terms of access to land with the customary owners; they generally do not demand stricter environmental controls (Macintyre & Foale, 2002). Rather, they demand more money. Based on this, Macintyre and Foale (2002) argue that the main concern of locals is not the preservation of the environment per se, but the lack of utilisable resources and amenity.

Macintyre and Foale’s critique does not contradict the characterisation of Melanesians as holding a more ‘holistic’ conception of the environment. Rather what the authors object to is the portrayal of Melanesians as, “natural stewards of their environment”, which has the effect of obscuring the issues of most concern to Melanesians. Examples include the grievances of Bougainvilleans and Papuans identified in this thesis, such as the denial of customary land rights, regional inequality and contests over resource wealth. Thus, supporting the Escobar and Banerjee critique of sustainable development, environmental management practices based on Western conceptions of the environment can curtail the priorities of non-Western resource producing regions.

Banks (2002, p.39-40) argues that while many observers continue to frame the impacts of mining operations in Melanesia as solely ‘environmental’ or ‘ecological’, the impacts most fundamentally concern the control of resources. Banks suggests that a better means of understanding the environmental impacts of resource extraction in Melanesia is to, “look at the way in which control over a range of resources is affected by the mining operations” (Banks, 2002, p.40-1). This includes for example, subsistence, political and social resources and systems of rights and responsibilities.

This understanding of Melanesian conceptions of the environment is supported by Ballard (1997, p.50), who claims that the local landscape pervades every aspect of social life:

...this sense of identity-through-place finds expression in the common statements that water from the streams of one's own land is the sweetest – all other streams taste different and this taste is one of the markers of differences that establishes identity (Ballard, 1997, p.50).

Echoing Escobar's (1995, p.197) concern that the sustainable development discourse creates an impression that only minor adjustments to the global economy are needed, Banks (2002, p.60-1) concludes his analysis by stating that:

...for mining companies to consider only the environmental aspects of their operation, ignoring the cultural, economic, political, and social realities of resources use and control in the areas in which they operate, also provides those companies with another "easy out".

Instead of corporations engaging with the complexity of the environmental impacts of resource development in Melanesian societies, Banks argues that the tendency is to adopt, "technological fixes" (Banks, 2002, p.60) that are asocial, do not include locals and, consequently, do not respond to their highest priorities.

Bougainville

...The mine caused a lot of pollution in the Jaba River. The water became blue and it still is. There is no life in the river. You cannot eat the fish. It used to be a

big source of food (BOU16, Rorovana Resident).

The most contentious environmental issue leading up to the development of the Bougainville copper mine related to the disposal of residual material (tailings), which had to be extracted to create the massive pit of the mine (Quodling, 1991, p.29). Approximately 220 hectares of tropical rainforest had to be cleared, as well as the removal of volcanic ash and weathered rock (Brown, 1974, p.20). Despite original advice from consultants that discharge of tailings into the Kawerong-Jaba river system would result in “massive deposition and extreme land degradation” (Gillespie, 1999, p.8) this advice was later amended to suggest that once the tailings reached the sea, the waste would be washed away by ocean currents (Gillespie, 1999, p.8; Quodling, 1991, p.29). Defying the requirement set out in the 1967 Bougainville Copper Agreement, which prohibited the disposal of over-burden and tailings, the loophole was that the waste could be disposed of upon the approval of the government (Quodling, 1991, p.30). With environmentalism in its political infancy back in Australia, the Administration did not enforce this requirement (Denoon, 2000, p.160). Upon application by BCL, the Administration subsequently approved tailings disposal through the ‘Disposal of Overburden and Tailings Agreement 1971’ (Quodling, 1991, p.30).

While Gillespie (1999, p.8) believes that BCL was aware of the potential damages that the disposal of tailing waste would cause, the company adopted this method as it was the least costly option. Hardly an adequate defence, the company was clearly responsible for the disposal of waste into the river system. To make the matter worse there were no detailed or enforceable strategies in place to minimise the environmental impacts of the mine (Boege, 1999, p.213).

With approximately 150,000 tons of rock waste and tailings from the mine disposed of each day (Brown, 1974, p.19), the most highly documented environmental impact of the mine has been the chemical pollution of the Kawerong-Jaba River (Brown, 1974, p.22). Contaminated by heavy metals such as zinc, copper, cadmium, mercury and molybdenum, the tailings waste led to the depletion of fish stocks and the river itself could no longer be used by locals. The tailings waste also polluted areas of bush that were important for hunting and gathering activities. This pollution also led to the complete disappearance of a flying fox population in 1987 (Boege, 1999, p.231). Chemical pollution has made re-vegetation in the area impossible (Gillespie, 1999, p.10), with experiments indicating that species of nutritional and commercial value for locals cannot be restored to their original state (Connell, 1991, p.67). Thus, although some locals prior to the construction of the mine assumed that only a proportion of land would be used, it became increasingly obvious that a significant amount of land had been destroyed and would never be of any economic or social use again (Boege, 1999, p.213).

The size of the mine pit (6km long, 4km wide, 0.5 km deep (Gillespie, 1999, p.10)) coupled with the infrastructure required to support the mine⁷², resulted in a significant reduction of land available for agricultural production. For an overcrowded population that was dependent on agriculture, and would again be dependent on agriculture once the mine closed, loss or damage to the land was seen as threatening the basis of future

⁷² This infrastructure includes; a town at Arawa, a port at Loloho, a major power house near the port, a major road from the port to the mine, a minor road to the tailings dump on the West Coast, the concentrator plant, town at the mine site, a dam on the Jaba River to supply water to the mine and concentrator, a water supply for Arawa town, and a limestone quarry (Denoon, 2000, p.146).

survival (Connell, 1991, p.67). Land for the Bougainvilleans, therefore, was not just a commodity in the way that BCL and the Administration had treated it. As two Bougainvillean students wrote in 1974:

...Land is our physical life [and] our social life; it is marriage; it is status; it is security; it is politics; in fact, it is our only world...We have little or no experience of social survival detached from the land. For us to be completely landless is a nightmare which no dollar in the pocket or dollar in the bank will allay; we are a threatened people (Dove, Miriung & Togolo, 1974, p.182).

It was this fear – fear about the survival of the traditional culture and aspirations to control the future, which BCL failed to respond in its handling of environmental damage. What happened instead was a commitment to undertake scientific research to prove that BCL was not responsible for the environmental damage.

BCL's environmental management practices

Prior to the construction of the mine, BCL's main 'environmental' strategy was to take several Bougainvillean employees to see mines in Australia. The logic was that the Bougainvilleans could witness firsthand the environmental impacts of a large open cut mine and explain to their villages what they had seen when they returned. This strategy was designed to combat the assumption discussed earlier, that only a small amount of land would be destroyed as result of the development of the mine. When I asked a former Bougainvillean employee of BCL if this occurred, he stated:

...Yes, BCL took us to go to Australia and I did see environmental devastation of the mines there. I was taken to Spain too (BOU14, Former BCL Employee).

Despite this commitment, BCL management believe the strategy failed because of the lack of vocabulary to explain what they had seen. As a current executive of BCL states:

...there is a problem with this strategy. People cannot return and convey what they saw. It is really hard especially in Pidgin because of the lack of vocabulary. An example is helicopters. The word used to refer to helicopters means "Jesus' mixer" as they imagined Jesus to be 'up there' and thought of the propeller as a giant mixing machine. Now we show a 3 dimensional video instead⁷³ (BOU1, current executive of BCL).

Reflecting a commitment to distributive justice, the primary response by BCL once production began was to issue compensation payments for environmental damage. For example, in response to damage to plantations caused by the flooding of the Pinei River, BCL paid compensation of AU\$47,000, built a new fermenter and carried out work to reduce the risk of another flash flood from occurring (Brown, 1974, p.21-2). Brown (1974, p.26) claims that compensation was also paid to individuals at a rate of A\$20 per person per year for the loss of fish in the Jaba River, with approximately A\$412,000 paid to about 1,400 people as of 1974.

Monetary compensation, however, did not satisfy the landowners' concern for the environment, and the landowners felt neither the company nor the government was doing enough to respond to their fears. As a Bougainvillean civil servant recounted:

⁷³ This however, is not a very convincing argument as surely the Bougainvilleans would have returned with photographs of the mines they visited that would have been given to them by their hosts.

...Environmental damage is getting worse by the day but always hear from BCL that everything was 'hunky dory'. PNG sponsored a survey because of pressure from the landowners. It was a whitewash. Done in 1988. It said there was no environmental damage and Ona stormed out of the meeting. It was the beginning of the end (BOU13).

It was not until 1988, a year before the mine was abandoned, that the first environmental impact assessment was conducted. The PNG Ministers for Minerals and Energy prompted the assessment in response to a visit to Panguna in mid-1988. This visit:

...resulted in the commissioning by the PNG Department of Minerals and Energy of a New Zealand consultancy firm, Applied Geology Associates Limited (AGA), to determine the social and environmental impact, both past and future, of mining operations at Panguna (Quodling ,1991, p.30-1).

However, instead of resolving concerns about the environmental damage caused by the mine, it further angered the landowners. According to BCL, the report ignited tensions as it failed "to attribute a wide range of environmental concerns to mining activities" (BCL, 2010-2011). Landowners were also angry about their lack of involvement in the survey. As one Bougainvillean landowner stated:

...the [consultancy] team rejected the request that villagers be present at the time of the research...they didn't allow it and [the landowners] decided we have seen the destruction, we cannot trust them (BOU20, ABG Department CEO/Landowner).

For the Bougainvilleans who were experiencing the daily effects of environmental pollution and disruption to their livelihoods, the findings of the study thus not only symbolised the misrecognition of serious environmental damage, but also their lack of control over their resources and their future (Banks, 2002, p.59). They also legitimately reacted to the deception and denial that marred this process.

At the conclusion of the AGA study, the consultancy team held a one-day seminar with the landowners to explain their findings. One member of this team, John Connell, recounts the events that unfolded:

...AGA limited consultants expressed the view that although environmental damage from mining operations was substantial there was no direct evidence of significant levels of chemical pollution and thus it was unlikely that Bougainville Copper Limited's operations were responsible for the loss of wildlife, declining agricultural production or a range of human illnesses (1991, p.71).

In response to this conclusion and the broken promise that wildlife would be safe, Francis Ona stormed out of the meeting while other landowners remained and rejected the conclusions. As Connell (1991,p.71-2) reflects:

...an inquiry that was intended to aid the resolution of land-owners' grievances had merely emphasised...that they would be most unlikely to receive high levels of compensation...and thus may have proved to be something of a catalyst for conflict.

We can only speculate on how things might have turned out differently if the AGA

team did attempt to include landowners in the study, or to at least have been given the opportunity to contest the results. Yet because the study took place within a pre-existing climate of distrust of BCL and the Government, the potential for the study to further ignite tensions should have been treated with more caution. The failure to do so culminated in Ona's demand of 50 per cent of total mining revenue as well as K10 billion for environmental compensation.

Bougainville's experience of the environmental damage caused by the Panguna mine highlights the importance of local participation and integrity of analysis in environmental protection. This will be a particularly important issue if the mine were to re-open (see Ch 12). The dilemma the Panguna mine represents, is that it is impossible to have such a large mine without significant damage to the natural environment. However, one avenue where corporations can develop a more meaningful engagement with the environmental impacts of mining is to ensure they have a voice in environmental protection measures and feel included in these processes. The Bougainville case also highlights the importance of honesty over deception. The fact that landowners did not have opportunities to contest the results of the AGA survey symbolised their loss of control of their land, their cultural identity and inability to trust the company.

Papua

There are more similarities than differences between Papua and Bougainville when it comes to environmental damage. Tailings waste from the Freeport mine has created similar, but possibly even larger environmental impacts to the Panguna mine. The land

affected also holds particular spiritual and cultural importance for indigenous Papuans. While the environmental footprint of BP's Tangguh LNG project has not been as large as the two mines (as it does not require a mountain to be dug out), the project has not been able to take place without some notable environmental degradation.

As discussed in relation to Bougainville, the environmental impacts of the Freeport mine feed into a broader distrust of the company and the Government to protect local community interests (see Ch 5). The major difference between the two mines however, is that Freeport's operations in Papua have extended into a new era of environmental consciousness. Over successive decades pressure on Freeport to protect the environment in Papua has increased. In contrast the Bougainville project ceased operations in the early nineties when environmental awareness was more emergent than ubiquitous in resource development activity. Despite, or perhaps because of the greater scrutiny, accusations against Freeport for severe environmental damage continue to tarnish the company's international reputation (Greenpeace, 2012). The main concerns relate to Freeport's riverine disposal of tailings waste, and insensitivity towards the original owners of the land.

Environmental criticisms related to BP's Tangguh LNG project also relate to the lack of local involvement in environmental management processes, as well as the social and cultural impacts associated with BP's marine exclusion zone. These concerns reinforce the claim made in relation to Bougainville that concerns relating to environmental damage feed into broader fears relating to cultural survival and the future of individual and group identity.

Freeport

...Every time they come they give hope. You can improve development. They give good dreaming for us. But after that they give not hope but killing and that is land. Land is the mother. They can get everything from the land – food, build their house, water from the river. In the forest they can implement their knowledge. That's why they say when the Government and the Company destroy my own land it seems like they kill us. We could lose everything (Papua1, Papuan NGO Worker).

Freeport has been subject to significant local and international criticism for its handling of the environmental impacts in Papua. One of the most high profile protests is a lawsuit filed in the US courts by an Amungme landowner (Beanal v Freeport McMoRan). The lawsuit highlights the effects of mining activity on both the immediate mine area, as well as the downstream environment. The suit focuses on Freeport's disposal of tailings into the Ajkwa River, which led to approximately 120sq km of dead trees and thick tailings sludge (Banks, 2002, p.44).

Similar to the Bougainville copper mine, the construction phase of Freeport's operations took place within a context of weak environmental regulation. Certainly no environmental impact assessment was conducted prior to construction. At the time, almost complete control of the land rested with the Suharto regime (Abrash, 2001). The financial and political influence of Freeport, combined with the regime's primary interest in pursuing national development rather than the protection of Papuans resulted in a situation in which environmental regulation was completely neglected (see Ch 5). Freeport's environmental assessment processes occurred some time later in

response to international rather than state pressure (Leith, 2003, p.155). Moreover, Shuarto and his allies have been accused of deliberately neglecting to enforce the environmental regulations that should have been the responsibility of the state. Indonesian environmental NGOs for example, charge Freeport with breaching numerous environmental regulations without punishment. As an Indonesian environmental NGO worker states:

...AMDAL is the environmental impact assessment to comply with Indonesian law on water quality. That law forbids anyone to dump into rivers. Freeport is very obviously breaching that law (Papua36).

Freeport is also accused of breaching several other environmental regulations such as: failing to comply with government orders to amend dangerous waste management practices; negligence in waste rock management; refusal to build a tailings containment dam; illegal disposal of tailings disposal into the highlands river system; pollution of the river system; breeches of regulatory water quality standards, and the discharge of acid rock drainage without a hazardous waste license (WALHI, 2006). All of this occurred with apparent impunity, reinforcing the argument made in Chapter 6 that states have an important responsibility to compliment and enable CSR in peace building. This includes protecting the land from unnecessary damage.

The perspective that Freeport's environmental damage has been 'unnecessary' led the Overseas Private Insurance Corporation (OPIC) to revoke Freeport's \$100,000,000 political risk insurance in 1995. OPIC stated in a letter addressed to Freeport that it would exercise its statutory charge under the US Foreign Assistance Act of 1961 to, "ensure that overseas investment projects do not pose unreasonable or major hazards

or cause the degradation of tropical rainforests in developing countries” (OPIC, 1995). Based on a monitoring visit of Freeport’s operations in Papua in 1994, OPIC highlighted the environmental consequences of ore production at over 100,000 dry metric tons per day which has severely degraded the rainforests surrounding the Ajkwa and Minajeri rivers.

In 2006 Norway’s government pension fund also declared divestment from Freeport primarily on environmental grounds. The organisation claimed that:

...the Grasberg mine’s riverine tailings disposal threatens ‘irreversible’ effects, posing ‘unacceptable risks’ and creating severe environmental damage...of importance to future generations (cited in Nostromo Research, 2006).

The pension fund also highlighted the company’s intention to continue its existing waste management system, in spite of the World Bank’s declaration that it was an unacceptable means of disposal (Ministry of Finance, Norway, 2006). In 2011 the New Zealand superannuation fund also came under pressure to follow Norway and divest from Freeport. One reason the Fund provided for not divesting was:

...For us, walking away might be simpler and quicker than staying engaged, it might avoid critical coverage, but it changes nothing...a properly considered responsible investment approach should also include a significant element of seeking to change company behaviour as it is that, not walking away, which makes the biggest impact on the people and environments most affected by problematic company behaviour (New Zealand Superannuation Fund, 2011, p.1-2).

The Amungme and Kamoro language groups have felt the most damaging environmental impacts of Freeport's operations. A core grievance held by highland Amungme people is that Freeport has destroyed traditional food sources (such as sago, traditional medicine, fish and other animals) and sites of spiritual and cultural significance. Beanal describes the Amungme conception of the land as 'mother' in the following way:

...when we say that the environment for us is our "mother" we mean that human beings are an integral part of the environment and therefore each one of us has to be mindful of and accountable to the limitations of the environment. Modern people do not recognize the special relationship of indigenous people to the environment. But for the indigenous people, their view of their natural surroundings teaches them ecologically sound principles to care for the environment in a sustainable way. For the indigenous people, destroying the environment means damaging the lives of human beings (Beanal, 1997).

Similar to the experience of Bougainvilleans discussed earlier in this chapter, the environmental damage brought about by Freeport has been perceived by the Amungme as a threat to their cultural survival. The lowland Kamoro people who have lost sago gardens and trees traditionally used to build canoes for fishing share this fear. Freeport is believed to have implemented measures to reduce its impact on the Kamoro through relocation and the development of new infrastructure. However these efforts are viewed as broadly ineffective due to the Kamoro people's traditional reliance on the rivers. As a journalist based in Papua stated:

...They [Freeport] are trying to relocate the people to other place and make research to find solution to environment... It has not worked well because Kamoro can't go far from their river. It's their culture and always come back to the river. Freeport are trying to help the people. Build road from Timika city to Kamoro area, but it is not helping (Papua7).

Reflecting Banks's (2002, p.58) argument discussed earlier in this chapter, the central issue for the Kamoro has been the lack of control over land and, in this case, also the rivers.

Freeport's environmental management practices

Despite the significance of Freeport's environmental impacts, it was not until 1996 that the company voluntarily committed to external environmental assessments every three years by MWH (formerly Montgomery Watson Harza). Rather than agreeing to engage with the fears held by the Amungme and Kamoro relating to environmental damage and cultural survival, Freeport turned to scientific forms of authorisation (through, for example, ISO 14001 certification across all of the company's operating facilities⁷⁴). This is reflected in Freeport's description of its approach to sustainable development as, "based on our objective to be compliant with laws and regulations and to minimize environmental impacts using risk management strategies based on valid data and sound science" (Freeport-McMoRan Copper & Gold, n.d.b). Freeport's

⁷⁴ The International Organization for Standardization describes the 'ISO 1400 family' as "a means of providing business and government with scientifically valid data on the environmental effects of economic activity. They may also be used as a technical basis for environmental regulations". (International Organisation for Standardisation, 2011)

environmental strategy therefore, is managed through analyses in which the criteria for evaluating environmental impacts are scientifically constituted (Macintyre & Foale, 2002).

Macintyre and Foale (2002) argue that the reliance on scientific analyses by corporations and consultants is a response to environmentalists from developed industrial nations, rather than local communities. The limitation of this approach is that corporations end up drawing on concepts that are generally unknown and inaccessible for locals (Macintyre & Foale, 2002). Freeport's reliance on scientific legitimacy instead of engaging with the complex local understandings also supports Escobar's critique of sustainable development discussed earlier in this chapter, as a commitment to sustaining current models of growth and development (Escobar, 1995, p.193). Escobar argues, "the question in this discourse is what kind of new manipulations we can invent to make the most of the Earth's 'resources'" (Escobar, 1995, p.193). This critique is evident in the following statement by Freeport on sustainable development:

...As the earth's population continues to grow along with the global standard of living, the demand for our metals rises. We will respond to increased demand by expanding our operations; however, our ability to reduce or mitigate certain impacts, such as total greenhouse gas emissions and total water consumption, will be challenged as we evaluate how we can be more efficient (Freeport-McMoRan Copper & Gold, n.d.b).

This quote reveals that Freeport's understanding of sustainable development is not based on a commitment to meaningful engagement with local communities. Rather the focus is on how best to maintain company efficiency in the context of a growing

demand for metals.

In its most recent external audit of Freeport's operations in Papua, MWH reported that the company was diligently following the sustainability guidelines of the International Council on Mining & Metals, which incorporate ten principles for the implementation and integration of sustainable development within the corporate decision making process (MWH, 2008). However Freeport has only published the executive summary of the MWH report, with no reference to the environmental concerns of the Amungme and Kamoro peoples. Instead, the report highlights Freeport's compliance with all regulatory and sampling requirements and claims that the company demonstrates a strong commitment to continuous improvement. For example the report states, "current PTFI [PT Freeport Indonesia] management practice of controlled riverine tailings transport and deposition to an engineered area remains the best option available for the operation" (MWH, 2008).

The MWH report depicts Freeport in positive light, but makes no mention of consultation with locals in the conduct of the report, nor the concerns expressed by environmental NGOs about Freeport's disposal of tailings waste. As with BCL in Bougainville therefore, the company has relied on external scientific evaluation to distance itself from the perspectives of local communities who depend on the land for cultural and physical survival.

BP's Tangguh LNG project

...Environmental footprint of BP is very small. Only footprint is where the LNG plant is. You don't need to dig a mountain (Papua8, BP employee).

In 2000 BP rebranded itself from British Petroleum to 'bp: beyond petroleum' in an attempt to portray the company as, "one that incorporated solar energy in its portfolio and was willing to move away from oil" (Beder, 2002). As a part of this rebranding, BP adopted a new green, yellow and white sun logo named 'Helios', "after the Greek god of the sun" (BP p.l.c, 1996-2012). BP has failed dramatically however, in its pitch to the world that it is an unusually 'green' resource development corporation. In 2005 a refinery explosion in Texas killed fifteen BP workers and injured 170 others. That same year, a BP oil leak in Alaska resulted in some 4,800 barrels of oil spread into Alaskan snow (Lustgarten, 2010). In April 2010 BP received worldwide media coverage following the explosion of the Deepwater Horizon in the Gulf of Mexico that killed eleven people and released nearly five million barrels of oil into marine waters (Robertson & Krauss, 2010).

The changes to BP's corporate image occurred just before the construction of the Tangguh project. However the company's record of environmental failure over the past decade has raised genuine concerns in Papua of the potential for disaster at the Tangguh LNG project.

The environmental impact assessment for the Tangguh project undertaken by the Central AMDAL Evaluation Commission of the Indonesian Government Ministry of the Environment was approved by BPMIGAS in 2002. Comprising three documents, the assessment evaluates the Tangguh project against Indonesian regulations concerning issues such as noise, atmospheric emissions, water quality and sanitary wastes. The key anticipated impacts of the Tangguh project relate to pollution of the Bintuni Bay area, restricted access to traditional food sources, waste generation from industrial

and community activities, the level of CO2 emissions, and air quality impacts (BP, 2005).

BP claims that the assessment was undertaken, “by soliciting the views of many stakeholders, particularly the people living in nearby villages and communities” (Delaney, 2005), with, “at least 1,622 people in the villages and towns [having] registered their names and participated in the consultations” (BP, 2005, p.53). BP also cites the names of villages where consultations took place, the dates of the consultations and number of attendees (BP, 2005, p.83-4). However in a joint letter addressed to the Asian Development Bank in opposition to the US\$350m loan it provided for the Tangguh project, three Indonesian NGOs have contested BP’s environmental impact assessment process:

...the process of environmental impact assessment for the Tangguh project was seriously flawed, without meaningful consultation of affected communities, and was a “rubber stamp” process since the national government granted the Tangguh license before the EIS [Environmental Impact Study] was even completed (WALHI, JATAM, KAU, 2005).

As discussed in Chapter 10, the NGOs contest BP’s social and environmental impact assessment process as it was conducted after the exchange of land. Locals and NGOs have understandably viewed this ‘cart before the horse’ chronology of the environmental impact assessment process with scepticism. Indeed questions have been raised about the degree of local empowerment in decisions relating to the environment when BP had already acquired control of the land. In this way even though BP had made a commitment to consult locals on the environmental impacts of

their operations, the consultation process has been perceived by some Papuans as a disingenuous empty gesture. As Down to Earth (2008) claims:

...perhaps this is an indication that the gap between the realities of this big multi-national corporation and local Papuan villagers is too big to be bridged in this way, and that Tangguh's presence remains an imposition on the local landscape and society.

This quote reinforces Escobar's (1995, p.197) point that sustainable development discourse indicates that only minor adjustments to, rather than a radical re-thinking of current economic models, is required to launch an era of environmentally sound resource development.

Similar to the Bougainville copper mine and Freeport cases, a crucial environmental concern regarding the Tangguh project to date has centred on disruptions to access traditional food sources. As a journalist based in Papua stated:

...Environmental effects in Bintuni are getting more complicated...they destroy fish and shrimp – the main food for the local people (Papua10).

This is partly due to pollution caused by a massive increase in shipping in and around the Bintuni Bay area. As a result, shrimp, fish and sago that indigenous groups in the area depend on as a source of income have been affected (JATAM, 2003). However an additional disruption to access to food sources has been caused by BP's safety exclusion zone, which comprises a total area of approximately 4,555 ha or 0.5 per cent of the Bearau and Bintuni Bay area (Summary Environmental Impact Assessment, 2005, p.35).

The prohibition of fishing boats in the Bearau and Bintuni Bay area has affected communities who have traditionally relied on fish close to the shoreline. According to a Papuan human rights advocate, this has led many villagers to travel further out to sea despite a lack of skills or equipment for deep-sea fishing (Papua14, Papuan Human Rights Activist). While BP has attempted to respond to this situation by providing villagers with a motorboat, this has created jealousy between landowning groups. As an Indonesian human rights activist based in Papua explains:

...BP collaborated with the local government to provide a motor boat for people of New Tanah Merah to catch fish. But when they reach the area there is anger and jealousy of the landowners there...because their area is used by BP too but they didn't get anything (Papua14, Human Rights Activist).

The activist claims that the local government tried to intervene by issuing a statement to villagers suggesting they consider alternative sources of food and livelihood. A concern of Papuans observing the Tangguh project is that villagers who cannot access traditional food sources will end up becoming dependent on BP. One Papuan peace activist related:

...Now people can't sail freely as this is a company area... If they want to or not they must depend on BP. In a long time it may be a similar situation to Freeport where the people depend on the company (Papua30, Papuan Peace Activist).

An additional concern connected to the environmental impacts of the Tangguh project highlighted during my fieldwork was BP's environmental record in other areas of the world. Respondents expressed concern that if a disaster similar to the 2010 Gulf of

Mexico oil spill were to occur in Papua, the Indonesian Government would not work to guarantee the protection of Papuans, or adequately restore the environment. Reinforcing the arguments made in relation to the BCL and Freeport cases therefore, the environmental impacts associated with resource development cannot be considered in isolation from issues of trust between local communities, governments and corporations.

Conclusion

By drawing on an analysis of the environmental damage caused by BCL in Bougainville and Freeport and BP in Papua, this chapter argued that it is local participation in environmental protection measures that local communities value most highly. There is also a strong focus on honest and transparent consultation, rather than after the fact spin.

While there has been a global increase in expectations that the private sector practice sustainable development, the cases reveal that these processes do not guarantee greater local participation, or honest reporting. Through a discussion of the work of Banerjee (2003) and Escobar (1995), this was found to be attributable to the general focus of concepts of sustainable development on sustaining the global economic system, rather than Indigenous cultural relationships to land. Policies of sustainable development occur within a global economic system that is dominated by a Western ontology that views the environment and society as separate, and struggles to incorporate other ways of being in which distinctions between society and environment are less clear.

With the power to control the land, the power to control the science and the power to decide who is included and excluded from environmental management practices in the hands of Western corporations, locals have few opportunities to share alternative models of development and environmental protection. One avenue for redressing this imbalance is to open spaces in which corporations are able to learn from non-Western conceptions of the environment, through the inclusion of locals in environmental impact assessments and evaluations. In doing so corporations might learn more 'holistic' forms of ecological interdependence and local communities can have traditional ecological knowledge respected and used to inform decisions that will shape their future⁷⁵. The next chapter expands this argument through a discussion of the contemporary situations on Bougainville and Papua. It argues that the three companies have important opportunities to make progress towards the achievement of 'bottom-up' resource development through participation in local reconciliation.

⁷⁵ This discussion will be extended in Chapter 13.

Chapter 12: Local Reconciliation

Site of interdependence	Disengaged (CSR as it mostly is)	Engaged (CSR reconfigured)
Aspirations to define the future	Corporations make no attempt to heal symbolically injustices related to resource development	Corporations nurture reconciliation based on local customs

A key conclusion of Chapter 11 was the importance of empowering locals to define the environmental impacts associated with resource development, and for companies to engage meaningfully with their concerns about the future. The final site of interdependence, addressed in this chapter, is aspirations to define the future. The chapter argues that participation in local reconciliation processes offers the greatest opportunity for resource companies caught up in conflict to make progress on their relationships with local communities. Drawing on the contemporary situations of Bougainville and Papua, the chapter explores possibilities open to BCL, Freeport and BP to reconcile past damage and to contribute to peace building in Bougainville and Papua more broadly. By engaging in processes of local reconciliation, the three companies have an important opportunity to shift from ‘top-down’ to ‘bottom-up’

resource development.

The business and peace literature

As discussed in Chapter 3, the potential for the private sector to contribute to peace building has gained significant interest from scholars, international organisations and NGOs. We saw that this has resulted in the development of a budding scholarship on 'business and peace'. While acknowledging that important questions have been raised in this literature regarding the role of business in conflict and post-conflict settings, an important limitation has also been identified. That is, the development of this scholarship has tended to occur in the absence of an adequate understanding of how and why the voluntary social and environmental initiatives already pursued by the extractive industry might have unintended violent consequences. Examples identified include; the breakdown of traditional village authority through changes to employment opportunities, divisions amongst landowners over access to resources, and the development of new infrastructure attracting large numbers of migrants. One limitation of the business and peace literature therefore, is that it has not developed on the back of a deep understanding of the paradoxes of CSR.

Rather than generate broad strategies that are applicable to all societies affected by conflict, the logic underlying this thesis is that when companies idiosyncratically engage with the ways in which their work may aggravate sources of conflict in particular locations, they may also find themselves in a better position to implement strategies to counter these dynamics (Banfield, Haufler & Lilly, 2005). It is also possible that in cases such as Bougainville and Papua where the foundations of the negative

relations between BCL and Freeport were set in train at the outset by the state (see Ch 5) that CSR may have the potential to now play a 'redemptive' role in peace building⁷⁶. This could occur, for example, through BCL acknowledging its role in Australia's decolonisation of PNG, or Freeport lobbying the Indonesian Government to re-write the 1967 Contract of Work. While such an engagement may have been beyond corporate decision makers at the time, the point here is that through conceptualising business activity as interdependent with, rather than separate from, the root causes of conflict, it becomes easier to identify a range of measures that a corporation might take in order to contribute to peace.

For example, Boege and Franks (2011, p.4) distinguish between two post-conflict scenarios which mining companies might operate within:

- Post-conflict development of new mines or reopening of old mines where mining was a factor in prior violent conflict;
- Post-conflict development of new mines where mining was not a cause of the violent conflict, or where there was no pre-conflict mining (Boege & Franks, 2011, p.4).

These kinds of distinctions make it easier to develop appropriate corporate strategies according to specific operational scenarios. For example, in cases where mining was *not* a factor in prior violent conflict, it might be possible for corporations to foster stability through performing their core business activities (Bais & Huijser, 2005, p.124) ,

⁷⁶ The author is grateful to an anonymous examiner for this suggestion.

such as the creation of new employment opportunities. While in cases where mining *was* a factor in prior violent conflict, the same ‘opportunities’ may actually prolong or ignite conflict depending on the way they are distributed (Ch 7), and the historical context in which they are deployed (Ch 5).

The aim of this chapter therefore, is to progress our understanding of the transformative potential of engaging with the interdependencies between business and conflict. In this way the ‘Interdependent Engagement’ Framework is only relevant for large corporations where resource development has been a contributing factor to conflict. In cases where resource development “was a factor in prior violent conflict” (Boege & Franks, 2011, p.4), a detailed analysis and acknowledgement of the roles that corporations have played in the conflict can be seen as the first step to identifying a ‘conflict sensitive’ business strategy.

Bougainville

As discussed in Chapter 4, a process is currently under way on Bougainville to negotiate the island’s political future as well as the possibility of re-opening the Panguna mine. This process follows a requirement in the 2001 Bougainville Peace Agreement that a referendum on Bougainville’s independence from PNG be held sometime between 2015 and 2020. Many Bougainvilleans believe that independence will not be economically sustainable without a substantial source of revenue (Momis & Garrett, 2012). In this way the long-held desire amongst Bougainvilleans for political independence from PNG continues to underlie the debate on whether mining should take place on their island.

To gauge local support for the resumption of mining at Panguna, the ABG and the PNG Government agreed in 2007 that the Bougainville Copper Agreement should be reviewed. As the Agreement has not been reviewed since 1974, landowners and the Bougainville Government have been left with uncertainty on a number of important issues such as the availability of revenues from Panguna in the future, and the responsibility for stabilising the mine site if it is never to re-open (Bougainville Administration, n.d, p. 6). For these and other outstanding issues to be clarified, the Agreement must be reviewed.

Reflecting the significant changes that have occurred on Bougainville since 1974, the review process will include the ABG and representatives of landowners from BCL's six mine-lease areas. For the first time the rights of Bougainvilleans to be consulted on whether they want mining will be recognised. To ensure the widest representation of landowners is included in the review process, the ABG has embarked on a process of establishing six separate associations and one umbrella body for customary landowners from BCL's mining-related leases. These areas include:

1. The Special Mining Lease
2. The Port Lease
3. The Arawa Town Lease
4. The Port –Mine Access Road Lease
5. Upper Tailings Lease
6. Lower Tailings Lease

According to the Bougainville Administration, the aim of establishing these associations

is to recognise that while each mining-affected area has distinct needs and concerns, they also need to develop the capacity to speak with one voice when they begin negotiations on the future of the mine (Bougainville Administration, n.d, p.8).

Reflecting the sensitivity of the mine issue and the fact that reconciliation between the 'old' and 'new' Panguna landowners have only very recently occurred, it has taken many months for these landowning groups to agree to work together (Nisira & Garrett, 2011). Despite this, Regan reports that the process to date has been fruitful:

...the people are very clear, they know what their problems are and they are identifying them with tremendous clarity and great emotion. They really feel they have suffered, they are aware that they are the real victims of mining, and they are not opposing mining, for the future for the most part, but they are saying if it is to happen again, then it is to be done very differently and they, amongst others, have to be looked after in very different ways (Regan & Garrett, 2011).

The three main options the parties to the review process must consider are:

1. The mine never opens again;
2. The mine opens again as a BCL operation;
3. The mine opens again under control of some other company (Bougainville Administration, n.d, p.4).

In order to illustrate the potential roles that BCL might play in Bougainville's future, each of these options will be explored in more detail. This discussion will be followed by suggestions on how and why BCL might participate in local reconciliation processes

on Bougainville.

Option 1: the mine never opens again

...If the mine re-opens there will be another war. That's what I predict (BOU19, Bougainvillean Landowner).

Since 2008 there has been an emerging consensus among Bougainvilleans that the mine should re-open (Momis, 2011). However this consensus is not without dissent, with numerous high profile individuals expressing concerns that re-opening the mine could jeopardise Bougainville's peace process. The main fears are that;

1. the Bougainville Government will not have the capacity to contain local interests;
2. there is the potential for warlords to emerge, and/or
3. unresolved conflicts might erupt, which have the capacity to turn deadly due the many weapons that continue to be available on the island (Regan & Tanis, 2011).

In addition there are concerns that the resumption of mining will lead to a resurgence of the social and environmental problems that plagued Bougainville during the operating years of the mine. As one Bougainvillean stated:

...we have already seen the damages. There are a lot of fears. Not only about the mine but fear of the PNG military coming back. Even the loss of land (BOU25, Me'ekamui Spokesman).

While there are no official groups opposing the mine as such, there are a number of

well-known Bougainvilleans opposing the resumption of operations. For example Damien Dameng, a strong complainant of the impacts of the mine on traditional values during the 1970s and 80s, continues to oppose mining (Taylor & Garrett, 2011). Those who share Dameng's view believe that instead of re-opening the mine, stakeholders of the review should:

...work on the exit strategy and fill that bit [the mine pit] and make it conducive for cultivation (BOU20, ABG Department CEO/Landowner).

In addition to Dameng, Chris Uma, leader of the Bougainville rebel group the 'Original Me'ekamui', has expressed reservations about the resumption of mining. Uma's opposition is due to numerous outstanding issues between landowners, BCL and the National and Provincial Governments. Uma states:

...Bougainville is not yet normal, there are issues we still have to sort out first. Things like compensation, I also want the mine pit measurement looked at and people compensated fairly for the damages done to this hole. We have to address and settle this before we can start talking about mine re-opening (cited in Kenneth, 2011).

This quote, and other statements made by Uma on Australian radio programs (Uma, Tanis & Garrett, 2011) indicate that Uma does not fundamentally oppose the resumption of mining under any circumstances. However he does hold a firm view that the parties to the review process must deal with the unresolved issues of compensation and environmental restoration, before any commitments are made on the future of the mine. Should these issues not be adequately dealt with, the potential

for armed conflict to resume is high. In spite of Dameng and Uma's concerns about the resumption of mining, the numbers of Bougainvilleans in favour of re-opening the mine is much larger. Indeed, all three Bougainvillean leaders who have served as President (Kabui, Tanis and Momis) have supported the resumption of mining.

Option 2: the mine opens again as a BCL operation

...People would prefer to work with the devil they know. They [BCL] will understand what they did wrong (BOU11, ABG Department CEO).

While no systematic survey research evidence is available, Regan and Tanis (2011) suggest that approximately 95 per cent of Bougainvilleans support re-opening the mine and my own fieldwork also suggests a high level of support. This support is based on the view that Bougainville requires a reliable source of economic development for an independent future to be feasible. In this regard Chairman and Managing Director of BCL, Peter Taylor, claims that the Panguna mine is potentially:

...large enough to support the Bougainville economy and also to produce a large number of jobs and businesses that always develop around a major project. There are stats [statistics] about how many direct employees will lead to how many indirect employees and the ratio is about 5 to 1 so if we are employing 3000 people you can expect another 15,000 people to be employed locally (Taylor & Garrett, 2011).

In addition, the mine is estimated to have a life of approximately 17-20 years of mineral production remaining and is believed to contain, "3.5 million tones of copper,

today worth about \$32.4bn, and 12.7 million ounces of gold, worth today about \$17.8 bn” (Callick, 2010). In this way Panguna is considered to be a viable option to support an independent Bougainville for at least fifteen years. If the Bougainville Government and landowners deem these fifteen years of mining a success, there is also the potential for new mining projects to be developed on other parts of the Island.

Should Bougainvilleans decide to re-open the mine, my fieldwork observations suggest that BCL would likely be the preferred operating company. Many Bougainvilleans I spoke to explained this preference on the basis that, ‘it’s better the devil you know’, implying that it would be better to work with BCL (which wants to return to Bougainville), rather than risk a company that may have lower social and environmental standards. Additionally, there is a popular perception on Bougainville that because BCL was the company which created many of the social and environmental problems that have plagued Bougainville since the 1970s, it should also be BCL that comes back to fix these problems. Here the reconciliation and legal arguments converge, as BCL still has a valid legal right to mine. As a Bougainvillean ex-BRA combatant stated:

...they [BCL] can just come back. They can do reconciliation with landowners and start a new chapter. BCL has to come back because it did that [the social and environmental damages] no other company can come back (BOUG28).

Underlying this openness to BCL is also a trust that the company has learned from its mistakes, and as a consequence, will be more committed to protecting the rights of landowners and their environment in the future. As two Bougainvillean landowners stated:

...I only deal with CRA. They have been here. They did the environmental damage. I will only talk to CRA. They know me (BOU18, Landowner).

...BCL already learned its mistakes. There will be better things with BCL again (BOU20, ABG Department CEO/Landowner).

Within these statements there is also a sense of confidence among Bougainvilleans that they have the capacity to hold BCL socially and environmentally accountable. As one Bougainvillean landowner stated, *“people are willing to sit with BCL to once again remind them what stimulated them to take up arms”* (BOU20, ABG Department CEO/Landowner). Alongside the idea of inviting BCL to re-open Panguna therefore, is a strong expectation that the suffering Bougainvilleans have experienced through the previous mining experience will be acknowledged. As such, the future of mining is inextricably tied to the Bougainvilleans’ understanding of the past and their aspirations to define the future. However continued support for BCL on Bougainville will profoundly depend on how it handles outstanding issues such as compensation and environmental damage. As the following landowners stated:

...You [BCL] must pay out the damages [first] or we can find another company (BOU24, Chief/Landowner).

...What we want is compensation for the damage. If they cannot sort out the [existing] problems they cannot come (BOU27, Former BCL Employee/Landowner).

Option 3: the mine opens again under control of some other

company

While numerous companies have been raised as potential alternatives, competition at the corporate level to re-open the Bougainville copper mine is not believed to be fierce. This is due to two main factors. Firstly, BCL holds the legal rights to the mining-lease areas and remaining infrastructure. This means that without getting Rio Tinto and/or the PNG Government interested in selling their investment, it is unlikely that another company could obtain a legal right to re-open Panguna (Taylor & Garrett, 2011). Secondly, an investment of approximately US\$4 billion is required to re-open the mine (Bougainville Administration, n.d, p.4). The ABG believes that there are only four or five companies in the world that have this capacity. Consequently, the companies that have been raised as potential competitors to BCL are believed to only want a slice of equity in the mine, rather than operating status (BOU39, ABG Advisor).

Despite these claims, the ABG has reportedly held discussions with several resource companies. For example, an Australian company with links to the China Nonferrous Metals and Mining Company, Ord River Resources, is believed to have held talks with the ABG about re-opening Panguna. Ord River heightened public speculation over the future of the mine when it issued several press releases (Ord River Resources 2007a, Ord River Resources 2007b, Ord River Resources 2007c) stating that talks with the Bougainville Government were 'progressing nicely'. However these talks came to an abrupt end in 2007, when the ABG reportedly ended discussions on the basis that the mine was too sensitive an issue to discuss in the absence of a Bougainville Mining Policy (ABG pulls out, 2007). According to Regan and Tanis (2011), however, the only reason these talks failed was that there were elements within the ABG who were

supporting a Canadian company, Invincible Resources.

Invincible Resources has been involved in public debate on Bougainville since 2005 when the late President of Bougainville, Joseph Kabui, gave the company 70 per cent control over Bougainville's mineral resources for up to five years (Leader denies Bougainville, 2008). The deal was criticised for its lack of transparency and public consultation, following the revelation that Kabui received K20, 000 (AUD\$8000) from Invincible for his 2005 election campaign (Braithwaite, Charlesworth, Reddy & Dunn, 2010, p.128). Many Bougainvilleans were also angry with the deal as it was made during a period in which it had been made, "clear that they were not prepared to return to foreigners mining their land" (Rabasca, 2009). Despite these concerns, there was enough support within the Bougainville Government to oust members of the Bougainville Executive Council who were acting in favour of Ord River.

Following Kabui's death in 2008, there has been a succession of two Presidents of Bougainville with different approaches to the mine issue. According to Braithwaite, Charlesworth, Reddy and Dunn (2010, p.129), for example, James Tanis, "has been genuinely open to listening to the diverse and conflicting positions of his people in a new bottom-up attempt to forge a consensus on the future of the mine". Tanis's logic is that for the Bougainville peace process to be sustainable, the conflict must be taken back to where it started. This links to the earlier discussion about why many Bougainvilleans prefer BCL to other companies. As the current Vice President of Bougainville, Patrick Nisira (Nisira & Garrett, 2011) claims:

...because of Panguna, Bougainville went down the drain and we believe that if we can fix Panguna, if we can stabilise Panguna, we can help Bougainville

[stand] on its [own] two feet again.

While many Bougainvilleans hope the current President and former PNG Ambassador to China, John Momis, will continue the progress made on the mine issue by Tanis, some fear his close links to China will lead him to prefer Chinese investors regardless of the support of landowners. Momis however, denies this is the case, claiming that his promotion of Chinese investment on Bougainville is for everything except Panguna (Regan & Tanis, 2011).

The huge investment required to re-open Panguna, coupled with the tension surrounding local dealings with Invincible Resources, has meant that it is less likely, though not impossible, that the mine will re-open under a new company. While BCL is clearly attempting to capitalise on the negative experience of the failed Invincible and Ord River deal, Taylor's reflection on the competition facing BCL does seem to ring true, "...having seen the alternatives, the Bougainvilleans are saying, they actually prefer Bougainville Copper to reopen the mine" (Taylor, & Garrett 2011).

Distributive vs. symbolic reparation

Given the strong support that currently exists for BCL to re-open Panguna, the idea of reconciliation between the company and landowners is a possibility worth pursuing. From BCL's perspective nothing is off the agenda for talks about re-opening the mine, with Peter Taylor encouraging landowners to set the agenda for negotiations themselves (Taylor & Garrett, 2011). Bougainville therefore, represents a unique opportunity to explore the local expectations of a company involved in prior violent conflict in return for a new social license to operate.

The Bougainville data suggest there is an expectation amongst landowners for BCL to make *both* distributive and symbolic reparations for the injustices locals have experienced. As discussed earlier for example, there is a strong 'distributive' expectation amongst locals for BCL to resolve the outstanding issue of compensation. This reportedly includes Francis Ona's 1988 demand of K10 billion for environmental damages. However as, "the Kina has since depreciated to a third of the U.S dollar in value, and because metal prices have risen" (Miriori, 2010), this figure is now being demanded in US Dollars. Nonetheless, this demand may not be as unrealistically inflated as it was at 1980s metals prices due to the significant increase in world copper and gold prices, and the estimated stream of \$50.2bn in sales remaining in Panguna.

Despite the firmness with which this compensation is being demanded, there is also awareness on Bougainville of the social problems that monetary compensation has caused in the past, such as intergenerational disputes and the breakdown of traditional village authority (see Ch 10). Some Bougainvilleans are suggesting that an apology and/or reconciliation with BCL should also take place. As one Bougainvillean peacemaker stated:

...They [the landowners] will want the company to apologise...The company could participate in peace building by the executives participating in a reconciliation ceremony. Compensation can be paid later (BOU12, Peacemaker).

This statement implies that Bougainvilleans are hoping for a compensation deal negotiated from a foundation of reconciliation. The following section explains how BCL participation in reconciliation could take place.

Reconciliation with BCL

According to Boege and Franks (2011, p.36-7) if BCL were to participate in customary peace building processes on Bougainville, the company would, “essentially have to behave as if it were another “clan””. This would require BCL to make material reparations for the harms caused (e.g. compensation), as well as take practical steps to remedy those harms. The key here is to acknowledge the suffering of those who have been affected and to seek their forgiveness. To do this, current and former BCL executives will be required to put aside their own cultural interpretations of justice and prioritise, “local ways of doing things” (Boege & Franks, 2011, p.38).

According to one Nasioi man, Bougainville’s justice system is particularly difficult for foreigners to understand as it emphasises forgiveness over punishment (Mekea, cited in Howley, 2002, p.102). “Bougainvilleans do not necessarily see the necessity of making legal revenge and punishment as a necessary part of justice” (Howley, 2002, p. 103). As Mekea claims:

...in its simplest form, it [Bougainvillean reconciliation] is just a question of two people saying “I did you wrong and you did me wrong. I forgive you and you forgive me”. That is what happens in its most simple form. Of course there will be an exchange of goods, money, pigs and shell-money. People in other cultures do not really understand this. They prefer punishment and putting people in jail (Mekea, cited in Howley, p.102).

It is likely that BCL executives will want to avoid participation in this type of reconciliation, particularly through fear of admissions that might be used in litigation.

However even allowing for these risks, engagement in local reconciliation could be a win-win scenario for both BCL and landowners. For example, there is evidence in the regulatory literature that suggests that where symbolic reparation is made (e.g. an apology), victims are less likely to seek redress through judicial mechanisms (Healy, 2011, p.269). Local reconciliation could thus be an attractive option for BCL whose parent company, Rio Tinto, has been caught in a lengthy lawsuit in the United States. In return for a suite of reparative and reconciliatory measures (which could include investment of the resources that would otherwise go to fighting a legal case into a better educational future for the children of Bougainville), BCL could ask for all the leaders of Bougainville to commit to opposition to legal action.

The US lawsuit mentioned above involves serious allegations against Rio Tinto that should not be dismissed lightly. However there are concerns as to how representative the case is for a majority of Bougainvillean landowners, and some analysts question the benefits that can be derived from a, “process that does not really enjoy legitimacy in the eyes of the community” (Boege and Franks, 2011, p.7). For BCL, participating in local reconciliation offers the company an opportunity to re-gain a social license to operate before resolution is reached on the lawsuit against Rio Tinto. By participating in a process that holds legitimacy for locals, BCL would be in a better position to be, *“truthful with the people on what happened in the past”* (BOU10, *Bougainvillean small scale miner*) and apologise for the social and environmental damage that mining brought to the island. If landowners then invited BCL to re-open Panguna, it would send a strong message to both current and future shareholders that Bougainville copper represents a secure investment. Importantly therefore, both BCL and landowners have an interest in exploring alternative redress mechanisms that draw

upon local reconciliation processes.

My fieldwork observations suggest Bougainvilleans consider an apology a small ask of the company, but a significant test for how culturally sensitive BCL would be if it were to re-open Panguna. As the following Bougainvillean women's leaders stated:

...cultural/symbolic recognition – it's our way of thinking. It's good manners. If they [BCL] were culturally sensitive, it would come naturally (BOU5, Former BCL Employee/Women's leader).

...It can be small but people will appreciate it. They should speak and say sorry about the damages. The people will speak about the loved ones and they will invite the spirits to invite them back (BOU31, Women's leader).

Regarding how reconciliation between Bougainvilleans and BCL could take place, it is best to think of reconciliation as an on-going process that involves 'shallow and weak' forms of restoration. For example, 'shallow reconciliation' between landowners and BCL has already started by way of invitations to Peter Taylor as Chairman of BCL to visit Bougainville for the first time since the closure of the mine. In addition, a delegation of senior Australian diplomats was recently allowed to see the mine site for the first time in two decades (Taylor & Garrett, 2011). For 'deep reconciliation' to occur, there is an expectation that current and former BCL executives should go to Bougainville to participate in, *"a meeting, then a ceremony"* (BOU28, Bougainvillean ex-combatant).

Traditionally, Bougainvillean peace ceremonies involve a feast during which "former adversaries may feast, drink, and dance together; chew betel nut together; and symbolically break spears and arrows" (Boege and Franks, 2011, p.38). While

Bougainvilleans recognise that, *“injustice is deep and it will not heal overnight”* (BOU31, *Bougainvillean women’s leader*), there remains a strong faith in the customary reconciliation process to restore relationships and to, *“heal the pain”* (BOU31, *Bougainvillean women’s leader*). There is a strong sense of confidence that if BCL were to engage in the ‘Bougainville way’ of reconciliation, there would be a strong foundation for a new working relationship. As a Bougainvillean ex-BRA combatant stated, *“the ceremony will end everything. Then the mine can kick off”* (BOU28).

Papua

In comparison with Bougainville, reconciliation in Papua is at an early stage. Indeed it is not at a stage where the conflict itself has concluded. Serious problems continue to characterise Papua as a ‘Land of Conflict’, rather than the ‘Land of Peace’ to which many indigenous Papuans aspire. This is evident in the contemporary continuation of human rights abuses and inequalities discussed in chapters 5 to 11. These persistent problems pose significant challenges to the nascent initiatives to promote reconciliation that have emerged in Papua.

The lack of momentum towards achieving reconciliation in Papua has become a defining feature of the conflict itself. As Braithwaite, Braithwaite, Cookson and Dunn (2010, p.115) claim, *“the Papua conflict is distinguished by how little determined local or international mediation and reconciliation has occurred”*. Analysts such as Rees, Ondawame and King (2002, p.2) attribute the slow progress made on resolving the Papua conflict to a, *“lack of political will to promote processes of reconciliation on the part of the many actors, both within Papuan civil society and in State authorities”*. One

problem associated with this lack of political will is that it sets up, “high expectations of an immediate outcome rather than seeing reconciliation as an ongoing process” (Rees, Ondawame & King, 2002, p.2).

The difficulty of achieving momentum towards reconciliation in Papua is most evident in the relationship between indigenous Papuans and the Indonesian Government. One significant example is reflected in the divergent responses to the failure of the Special Autonomy Law 2001 (see Ch 7). While both Papuans and the Indonesian Government agree that the Special Autonomy Law has failed (Chauvel, 2011), there are disparate views as to why, and what an appropriate way forward might be. As Chauvel (2011) explains:

...Papuan responses to the failure have been demands for a referendum or dialogue with Jakarta. The government, however, has preferred to see Papua’s problems as ones of socio-economic backwardness, as well as corruption and poor governance.

These conflicting views highlight the commitment that will be required to agree to work together on finding a solution to the Papua conflict. On the Papuan side, some proponents believe their only real chance to initiate peaceful dialogue with Jakarta will be to move away from the historical emphasis on a referendum for independence. Father Neles Tebay for instance, argues that, “Papuans need to make clear that the issue of Papuan independence will not be on the agenda” (2009, p.3) if they are to get Jakarta to agree to participate in dialogue on the Papua conflict. Tebay does not dismiss the importance of the rectification of history for indigenous Papuans, however he argues that developing trust between the two parties so that a long-term process of

reconciliation can take place is a higher priority. With this goal in mind, Tebay called for an 'internal dialogue' amongst indigenous Papuans to address questions such as;

- What are the features of "Papua, Land of Peace"?
- What are the problems that impede "Papua, Land of Peace"?
- What are the causes of these problems?
- What solutions are required to address these problems?
- What solutions are required to address the root causes of these problems?
- What policies must be taken to prevent these problems from occurring in the future?
- What roles should be played and tasks undertaken by various parties (government and civil society) to bring about "Papua, Land of Peace"? (Tebay, 2009, p.26).

The current situation in Papua therefore, is one of developing a collective vision for the future. Due to the 'curses and opportunities' that characterise natural resource development in Papua, the remainder of the chapter will be devoted to exploring the potential roles for Freeport and BP to support the emerging vision of 'Papua, Land of Peace'.

Expectations of Freeport and BP

The initial stages of reconciliation centre on the relationship between Papua and Jakarta, Papuans and the Indonesian military, as well as among Papuans caught on different sides of the conflict (Braithwaite, Braithwaite, Cookson & Dunn, 2010, p.115). In this context, reconciliation between indigenous Papuans and large natural resource

companies is not high on the agenda.

Papuans would certainly welcome reconciliation with large natural resource companies, and Freeport in particular, however there are significant obstacles to achieving this in the absence of the resolution of fundamental issues with the Indonesian Government. This is due to the sensitivity of the Indonesian Government when it comes to foreign 'interference' in Indonesia's domestic affairs. As one Papuan activist stated:

...it would be great if they [Freeport] apologised but I'm not sure if it will be done. Indonesia has a government and this government has sovereignty to the people. If Freeport apologises to the people...it will make the Indonesian government very ashamed (Papua30, Papuan activist).

What this statement demonstrates is that expectations for symbolic reparation from Freeport do exist in Papua. However as indigenous Papuans currently have the higher priority of dialogue with Jakarta; their expectations of Freeport and BP in 'Papua, Land of Peace' are less defined than those discussed in relation to the Bougainville case. As a result there is less detail in the Papua data for what might be expected of Freeport and BP in processes of reconciliation. Instead, the Papua data supports the criticism made by Rees, Ondawame and King that reconciliation in Papua currently emphasises immediate outcomes rather than long-term solutions. For example, according to my fieldwork observations, the two dominant expectations of Freeport are that the Grasberg mine be closed, and that an indigenous Papuan be made the President of Freeport, Indonesia. International law would hardly lend support to Papuan efforts to sustain such claims. A compromise extracted by strikes and roadblocks or as part of a

wider peace agreement might be more realistic.

The expectation that a Papuan should be made the next President of Freeport is particularly strong in the mining town of Timika. This view is based on the belief that if a Papuan were made President of Freeport, the company would be in a better position to conduct mining in a way that would respect the rights of Papuans. As one Papuan NGO worker stated:

...it must be clear within the corporation that the next President in Freeport is Papuan. We hope that this is the time to take our rights and also lead our corporation... We believe that when a Papuan becomes head [President] – it will change. Right now, I'm under an Indonesian person. When it [the President] is a Papuan, it will be more safe and there will be more support for our [community development] programs (Papua33, Papuan NGO worker).

A former Freeport employee responded to how credible an option this is for the company to consider:

...yes, to an extent. But who should be promoted? I prefer educational programs that give better results... But people are not patient enough to wait. They see the position as a political position, like a Bupati [regency head]. They say local people can be elected but they don't see the [importance of] qualifications (Papua45).

Given Freeport has been comparatively slow to initiate indigenous training and affirmative action policies (see Ch 8 & 10), asking Papuans to be patient and wait for a Papuan qualified to take up the Presidential position is a big ask. On the Papuan side, a

demand that a Papuan be President of Freeport is not particularly strategic. A Papuan as CEO of the operating company in Papua will still have to answer to the CEO of the holding company and the Board at corporate headquarters in the United States. These real controllers could surround a 'Papuan President' with their men and their women and hold back bonuses if the President did not do their bidding.

The second widely held Papuan view is that the solution to the problems associated with resource development is that, "all mines be closed" (ICG, 2011, p.3). While the ICG (2011, p.3), have criticised this suggestion as, "more focused on problems than solutions", McKenna and Braithwaite (2012) argue that openness to a resource exploitation pause is a credible option worth pursuing. While it is not in Papuan interests to blow up pylons to attack the Freeport mine, the authors argue that negotiations with Freeport and BP to adopt a policy of a resource exploitation pause could produce long-term solutions. The aim would be to shift the current relationship of 'win for the investor, lose for Papuans' to a win-win for Papuans and foreign investors. By leaving the resources in the ground for a period of time, they are likely to increase in value and create an opportunity for new environmental technologies to be developed to manage the catastrophic environmental impacts of mining, and simultaneously provide a powerful leverage for Papuans to lobby Jakarta for peaceful dialogue, as well as changes in the conduct of natural resource exploitation generally.

Therefore, while ideas as to how Freeport and BP can become involved in promoting reconciliation in Papua are still evolving, there are credible options worth considering. The following section outlines an additional opportunity that has been opened for Freeport and BP to contribute to the promotion of reconciliation in Papua. This

opportunity emerged out of the 2011 Papua Peace Conference, which produced 44 'indicators of Papua, Land of Peace' (see Appendix 4). It will be argued that these indicators have the potential to be used by Freeport and BP as a platform from which to construct a new, 'bottom-up approach' to CSR in Papua.

The Papua Peace Conference

In 2011 significant progress was made on, "unifying Papuan civil society and activist groups in the interest of resolving the multi-dimensional conflict" (ICG, 2011, p.2). The Papua Peace Conference held in Jayapura, 5th-7th July 2011, marked this progress. Organised by the Papua Peace Network and chaired by Father Neles Tebay, the conference attracted over 500 participants (consisting of religious groups, customary groups, women, academics, students and resistance groups) who came together under the theme 'Let us together make Papua a Land of Peace'.

As discussed earlier, a key objective for Papuans committed to initiating dialogue with Jakarta has been the achievement of internal dialogue amongst Papuans themselves. In this regard the conference was hailed a success by all participants (ICG, 2011, p.1). Significantly, participants at the conference included a representative of the Indonesian Government, the coordinating Political, Legal and Security Affairs Minister, Djoko Suyanto. The conference thus exceeded expectations of fostering internal dialogue between Papuans, by also making an initial step towards dialogue with Jakarta.

Two additional achievements marked the conclusion to the conference. Firstly, five Papuans (Rex Rumakiek, John Otto Ondawame, Benny Wenda, Octovianus Mote and

Leoni Tanggahma) were appointed to pursue formal negotiations with Jakarta. Secondly, a list of 44 'Indicators of Papua, Land of Peace' was developed. These indicators, drafted by the Papua Peace conference participants, emphasise the complex political, economic, environmental and socio-cultural injustices that lie at the heart of the Papuan conflict. However, the most important feature of the indicators is that they incorporate a vision of the resolution of these injustices. For example:

...if one problem was exploitation of natural resources by various non-Papuan parties, one indicator of a peaceful Papua would be a thorough mapping of indigenous Papuan land, with customary rights legally recognised (ICG, 2011, p.2).

The 44 indicators thus provide an important insight into how indigenous Papuans see their current circumstances, as well as a collective vision for how 'Papua, Land of Peace' could be achieved.

The following section explains how and why Freeport and BP might use these indicators as a basis from which to design appropriate strategies to strengthen the Papua peace process. These indicators represent an important 'resource opportunity' for large natural resource companies (and Freeport in particular) to transform the negative association of resource development in the 'memory of suffering' in Papua (see Ch 5).

From 'top-down' to 'bottom-up' CSR in Papua

Throughout this thesis, it has been argued that Freeport has failed to capitalise on opportunities to respond to local grievances in a way that could contribute to peaceful

development in Papua. Although Freeport has made significant contributions towards community development (in the form of hospitals, schools, employment and infrastructure projects), the company has generally failed to resolve the underlying disputes related to its business activities in Papua. This is one consequence of Freeport's 'distributive' approach to CSR, in which the company has attempted to silence local and international critics through the dispersal of large amounts of money (see Ch 7). This method has been unsuccessful in promoting peace in Papua as expressions of 'Papua, Land of Peace' are characterised by claims not just for redistribution but also recognition. Similar to the Bougainville case therefore, Freeport and BP would do well to strike a balance between distributive justice and symbolic reparation through their commitments to CSR.

By documenting a thorough record of the injustices which lie at the heart of the Papua conflict, the Papua Peace Conference has opened an important 'resource opportunity' for Freeport and BP. This opportunity lays in the potential for the '44 indicators' to form the basis of a new 'bottom-up' approach to peaceful development. While the 44 indicators should be thought of as a 'work in progress', they do, "give tangible content to Papuan aspirations for freedom" (MacLeod, 2011) and could provide a valuable springboard from which the resource companies might begin to reset their relationship with Papuans on a more peaceful, sustainable path. The indicators present Freeport and BP with a unique insight into the types of commitments they could make, which locals would deem meaningful and significant.

The 44 indicators represent a valuable opportunity for Freeport and BP in particular as many of the indicators relate to the exploitation of Papua's natural resources. For

example, one indicator that both companies are deeply connected to is, “management of natural resources is undertaken in a way that protects the environment, respects local wisdom and provides maximal benefits to indigenous Papuans” (ICG, 2011, p.19). Similar to the trajectory of this thesis therefore, the indicators highlight the complex interdependencies of resource development with sources of injustice in the areas of politics, the economy, the environment, law and human rights. By revealing these interdependencies it becomes easier for all stakeholders to work together on developing strategies to counter these dynamics.

A strategy that used the 44 indicators as a platform to strengthen Papuan peace processes could be promoted as ‘bottom-up CSR’, as it would be indigenous Papuans setting the CSR agenda. This method forms a stark contrast to the dominant ‘top-down CSR’ approach that treats indigenous peoples as passive recipients of better and worse CSR (McKenna & Braithwaite, 2012, p.334). As we have seen throughout this thesis, ‘top-down CSR’ fails companies and communities, with millions of dollars spent on community development projects that do not achieve their aims. One benefit to using the indicators as a basis for peaceful development is that it sets a clearer agenda for the design of appropriate corporate-community initiatives.

An additional advantage to drawing on the 44 indicators in a bottom-up approach to CSR is that they would make it easier to manage local expectations of the companies. This is because the 44 indicators make it possible for Freeport and BP to identify both ‘quick’ and ‘long-term’ contributions they can make towards the promotion of peace building. This would be an attractive option for Freeport and BP as they might be able to develop small (i.e. less ‘politically sensitive’) contributions they can make towards

achieving these indicators, at the same time as demonstrating a commitment to work towards longer-term (i.e. 'politically sensitive') goals. For example, one 'quick-win' might be a contribution of the skills and resources needed for the mapping of customary land, while a 'long-term' win might be the involvement of indigenous Papuans in the re-writing of Freeport's 1967 contract with the Indonesian Government. The key point to highlight here is that it would be a long-term process, involving all stakeholders of the resource project, working together with the aim of achieving peaceful development.

As we have seen throughout this thesis, effective CSR requires more than collaboration between a 'company' and 'society'. It would require, for example, security sector reform to achieve indicator no. 2, "there is no longer stigmatisation of indigenous Papuans as separatists or rebels" (ICG, 2011). We saw in Chapter 9 the reluctance of Freeport to engage with this issue due to national stories relating to state sovereignty. Using this indicator as an example, Freeport could arrange a multi-stakeholder dialogue, involving the police and military, to work towards this goal. The positive characteristic of the 44 indicators is that they provide a company like Freeport an opportunity to work towards such a goal without giving an impression that it is attempting to override state sovereignty. In this way, adopting the 44 indicators would significantly challenge Freeport to take action on issues it has traditionally sought to avoid.

There are, however, limitations to what Freeport and BP can achieve in the absence of a broader experience of *merdeka* driven by the state (see Ch 6). Firms like Freeport and BP can contribute greatly to a fresh start to peace building in Papua. However without

an experience of *merdeka*, whether based on a referendum for independence, or a more meaningful sense of political freedom to what Papua was granted through Special Autonomy, no amount of Interdependent Engagement of Freeport and BP is likely to bring sustainable peace with justice. Nonetheless, the presence of multinational corporations like Freeport and BP could be conceptualised as a necessary condition for peace with justice. For example, Papuan leaders could initiate separate negotiations with Freeport and BP on how they could achieve the 44 indicators in the context of their resource projects. This type of negotiation could represent an important 'confidence-building' step toward a wider transformation toward peace with justice.

Conclusion

A detailed analysis of the roles that corporations have played in specific armed conflicts is the first step to implementing a conflict-sensitive business strategy. Through a discussion of the contemporary scenarios of resource development on Bougainville and Papua, it has been argued that BCL, Freeport and BP are faced with important opportunities to participate in reconciliation processes, and shift from a focus on 'top-down' to 'bottom-up' CSR.

For the Bougainville case, we saw the way landowners are engaging in a process of strategically considering the factors that contributed to significant social and environmental problems in the past. They are also contemplating how resource extraction projects might be undertaken in a way that avoids these problems in the future. This process represents a significant opportunity for BCL to support the

empowerment of locals to determine their own future.

The 44 Papua Land of Peace indicators present a locally meaningful vision for a peaceful resolution to the Papua conflict. A similarity for both cases therefore, is the need for an approach to CSR that draws on local voices for the design of appropriate community engagement initiatives. Although these processes differ according to local circumstances, a common theme is the need for a long-term commitment involving all the stakeholders working together with the aim of achieving peaceful development. The following chapter expands on the potential for the Interdependent Engagement approach to enable corporations to understand and transform the complexities associated with natural resource extraction in areas affected by conflict.

Chapter 13: Interdependent Engagement

This thesis opened with a reflection by one Bougainvillean landowner on the interdependence between large natural resource companies and their local host communities:

...In every organisation or company, the management should be connected with us. It took so many years to understand that. Nobody understood that at the time... but they do now (BOU18).

The aim throughout this thesis has been to explore the possibilities that can emerge through engaging with this interdependence, rather than denying or suppressing it.

Large natural resource companies have been closely involved with the histories of the Bougainville and Papua conflicts, yet the potential of this dynamic association to facilitate peace in these areas has been the subject of little analysis. This thesis begins to redress this lack through an empirical analysis of the crucial sites of interdependence between BCL, Freeport and BP with the grievances at the heart of the two conflicts. These sites of interdependence include:

- historical injustice (Ch 5),

- the denial of customary land rights (Ch 6),
- regional inequality and contests over resource wealth (Ch 7),
- cultural, political and economic marginalisation (Ch 8),
- human rights violations (Ch 9),
- community disruption (Ch 10),
- environmental damage (Ch 11),
- aspirations to define the future (Ch 12).

The case studies presented reveal the opportunities, complexities and constraints that large natural resource companies must confront if they are to take seriously their social and environmental responsibilities. By confronting these complexities, large natural resource companies might become a powerful conduit for a more socially and environmentally responsive global economy.

Summary

The development of the arguments presented in this study emerged iteratively in a number of phases. The start of the analysis focused on the question of whether there is a role for large natural resource companies in the promotion of peace building in their local host communities. While it has been argued that there is a clear role for the private sector in peace building, this is not a task that large natural resource companies are inclined to overtly embrace.

This finding emerged through interviews with corporate executives of large natural resource companies at their home country headquarters. The dominant theme from

the data collection was that large natural resource companies are unlikely to contribute to anything called 'peace building', but they might make contributions to peaceful development through existing CSR frameworks. The main reasons given for this position include the assertion that corporations lack peace building expertise and that this work should be left to other organisations that do have relevant expertise (such as the UN).

'Peace building' is also considered to be too politically sensitive for corporations to actively pursue and beyond the scope of the responsibilities of business. Having said this, most companies do recognise that it is in their reputational and business interest to pursue resource development in ways that minimise the likelihood of armed conflict. Consequently, corporate executives do see a role for business in pursuing peaceful development, but the most likely vehicle for this is through the paradigm of CSR, rather than 'peace building'. This finding is an important distinction because it indicates that it would be more achievable to make the existing practice of CSR more conducive to peace, rather than generate new roles for business that are less likely to be adopted.

The result of the initial phase of the project prompted an investigation into the effectiveness of current CSR strategies to respond to local grievances associated with resource development in two conflict affected societies: Bougainville and Papua. An examination of the existing literature on the two conflicts illustrated some of the ways in which BCL, Freeport and BP have been implicated in the justice claims of a large proportion of Bougainvilleans and Papuans. These claims relate to colonisation and decolonisation processes; political grievances against the national government; the

creation of new divisions and unities; community disruption; and environmental damage.

Having established some of the intersections between the three companies and the characteristics of the two conflicts, the common themes between the companies' CSR programs and policies were compiled. The data showed that generally speaking, the CSR practices and policies of the case study companies did not align with the grievances and root causes of the conflicts in Bougainville and Papua identified in the data. The strongest areas of engagement between company and local interests were infrastructure, education and health care, while the strongest area of disengagement was with community grievances over the distribution of resource wealth, historical injustices and environmental damage. Observing the discrepancies between the two in this way, enabled an initial conceptualisation of CSR as based primarily on a distributive justice framework. This analysis provided an empirical lead into the hypothesis that CSR could have the potential to assist corporations to facilitate peaceful development in Bougainville and Papua if it were designed to engage with the interdependencies of resource development with the root causes of conflict. In other words, if companies were able to anticipate the ways in which they might aggravate armed conflict, they might also be in a better position to implement strategies that counter these dynamics. A draft framework of Interdependent Engagement was then developed in an attempt to illustrate how CSR might be reconfigured to address the discrepancy between CSR and the grievances at the heart of the two conflicts.

The next phases of the project involved two fieldwork trips to PNG and Indonesia respectively. This fieldwork deepened my understanding of the discrepancy between

local expectations and large natural resource companies in the CSR context. Interviews with a variety of stakeholders ranging from corporate executives to indigenous landowners confirmed the earlier observation that despite a commitment to CSR, BCL, Freeport and BP failed to resolve local concerns related to resource development.

This finding prompted a reflection on how CSR might be designed to avoid the social conflict that is often associated with natural resource exploitation. Based on the preceding phases of data and using existing case study literature as a source of triangulation, eight sites of interdependence between the case study companies and the two conflicts were identified. These sites of interdependence then formed the basis for the development of a new model of CSR, Interdependent Engagement. This reformulated model of CSR has been designed to assist corporations to not just avoid conflict, but also become active facilitators of peaceful development. The following section explains the limitations of CSR as it currently exists amongst major natural resource companies. The theory and practice of the reformulated model of CSR, Interdependent Engagement, is then outlined.

Limitations of 'traditional' CSR

Drawing on the theoretical insights of Latour, Fraser and a variety of analysts of CSR, it appears from this research that four limitations of CSR as implemented by the case study companies can be identified:

- The emphasis on pledges over institutional change;
- Responsiveness to host states to the exclusion of local communities;
- Failure to incorporate alternative visions of justice into the design of

voluntary social and environmental initiatives, and

- The implementation of one-size-fits-all solutions to complex social and environmental problems

1) The emphasis on pledges over institutional change

Based on the findings of this research, the most important limitation of CSR as it currently exists amongst major resource companies is the emphasis on pledges over institutional change. In other words CSR has been helpful for facilitating corporate contributions to community development, but it appears from the case studies examined in this study to have limited capacity to transform the business practices and policies that are harmful to local societies and ecologies. Chapter 3 identified this as one consequence of the fact that corporations have tended to underestimate the importance or potential of the 'social' in CSR. As Latour (2005, p.1) argues, "problems arise... when 'social' begins to mean a type of material, as if the adjective was roughly comparable to other terms like 'wooden', 'steely', 'biological', 'economical', 'mental', 'organizational', or 'linguistic'". Conceptualising the social as an object or fixed domain is unhelpful as it renders invisible the complex range of actors and institutions that influence, and are influenced by, the presence and activities of large corporations.

One consequence of an over-simplified notion of the social is that it implies corporations can operate somewhere above society in order to then contribute to 'it'. This view presents corporations as 'neutral outsiders' of armed conflicts, rather than players who can be at times deeply implicated with their underlying causes. Consequently, corporations do not change business practices, policies and relationships that are harmful to local communities and interests. Instead,

corporations privilege the distribution of material benefits such as compensation, royalties and trust funds. Drawing on the work of Fraser, it has been argued that corporations might do well to balance the distribution of material benefits with simultaneous efforts towards the, “recognition of people’s standing as full partners in social interaction, able to participate as peers with others in social life” (Fraser, Dahl, Stoltz & Willig, 2004, p.377).

A focus on the distribution of material benefits, rather than claims for recognition has been a rational response by business as these kinds of contributions are relatively easy to document in company reports and websites. It is also possible to calculate how big the discount of profits will be from making the material gesture, decide that profits are still healthy after the payout and then write a cheque. In contrast, it is more difficult to document efforts towards the protection of indigenous rights and cultural traditions, through, for example, recognising the role of resource development in historical injustices, or the facilitation of regional inequality. While certainly more difficult, the ability to engage with these more complex issues has the potential to deliver much greater benefits for both corporations and communities in terms of minimising the likelihood of violent conflict that may lead to the disruption or total closure of resource projects.

Distinguished scholars of CSR such as Porter and Kramer (2006) have previously highlighted the interrelationship between business and society. However by focusing on this interaction, Porter and Kramer and have framed their analysis according to the profit motive or ‘competitive advantage’ of firms. This study, in contrast, has been framed according to the justice or peace building potential of engaging with

interdependence. While the lack of engagement with the profit motive of firms in this study might be considered to limit the practicality of the Interdependent Engagement model, the prevalence of armed conflict associated with natural resources suggests a need for alternative frameworks. The challenge remains to devise a framework that is likely to be adopted by corporations, yet initiates the reform required to facilitate peace.

2) Framing error of CSR: corporations are primarily responsive to host states to the exclusion of local communities affected by the resource project

Structuring CSR according to the values and interests of corporations has created what is referred to in this study as the 'framing error' of CSR. This error has traditionally resulted in the establishment of host governments as the primary audience, to the exclusion of local communities affected by the resource project. Structuring CSR primarily in negotiation with the host state oversimplifies the complex relationships and agendas that are assembled alongside the development of a resource project. As Latour argues society is, "not a homogenous thing but a trail of *associations* between heterogeneous elements" (Latour, 2005, p.5). The unawareness of this heterogeneity is reflected in BCL, Freeport and BP's responsiveness to the terms of access to land stipulated by the governments of PNG and Indonesia, and the sidelining of customary landowners. Chapter 6 argued that this approach is problematic because indigenous landowners often hold different legal, cultural, economic and political agendas to that of the nation state. Consequently, CSR as designed in the boardrooms of transnational corporations and international financial institutions has not translated into justice at

the local level (Merry, 2006).

A movement towards a politics of recognition that aims to revalue, “unjustly devalued identities” (Fraser, 1996, p.6) is one possibility for addressing this issue. The risk of such an approach however, is that it will essentialise group difference. As such, corporations seeking to pursue recognition as part of CSR will need to engage carefully, and in an ongoing manner, to maintain a balance between recognition of difference and a common or shared language of equity and justice.

Merry (2009, p.297) discusses the tension between recognition of difference and status equality in relation to human rights reform. In this context, blending international standards completely with the social world includes a risk of losing the radical possibilities that might follow from a mutual engagement of transnational reformers and local communities. It would not be desirable for the elements of human rights ideas to be completely absorbed by local customs, or vice versa. A better aspiration is for each to be used to strengthen the capacity of the other to achieve sustainable peace and, especially, for indigenous wisdom to enrich Western practice rather than just the more empirically common influence (according to Merry) in the other direction.

3) CSR has not empowered alternative visions of justice into the design of voluntary social and environmental initiatives.

Acknowledging the importance of a balanced approach, it has been argued that one limitation of existing approaches to CSR is that they have not empowered alternative visions of justice into the design of voluntary corporate social and environmental

initiatives. In Latour's words, corporations have failed to, "'follow the actors themselves'... to try to catch up with their own wild innovations in order to learn from them what the existence has become in their hands..." (Latour, 2005, p.12). An approach to CSR that enables strong local participation is desirable, however there are practical challenges associated with structuring CSR regulation to accommodate the diverse stakeholders of resource development projects.

At the international level, reformers must adhere to standards that apply to all societies to gain legitimacy (Merry 2006, p.3). Moreover if corporations base their community engagement entirely on local terms, there is a risk of jeopardising previously hard won agreements around human rights, such as international labour standards (Haines, 2005, p.22). In the worst case, a local indigenous leader might realise that if he leads his people to demand (through Interdependent Engagement) less than is their international right, he might be paid off with a comfortable salary.

At the local level there are difficulties in determining who in the community wields the power to interpret what is needed (Fraser, Dahl, Stoltz & Willig 2004, p.375). On the other hand, an argument in favour of the 'unique contribution of place' (Haines, 2005, p.23) is that cultural flows are not even (Merry, 2006). The cases of Bougainville and Papua highlight the limitations of universal approaches. An over-emphasis on local engagement in CSR thus raises potential risks in terms of essentialising group differences and sidelining pre-existing global initiatives. However a framework that balances local and global regulation, and which opens up spaces of dialogue between the two might make a useful contribution by facilitating the injection of local and/or alternative visions of social justice into global circuits (Merry, 2006).

4) One-size-fits-all solutions to complex social and environmental problems

Chapter 10 argued that an error made by companies is that instead of engaging with alternative visions of justice, they believe they can take the advice of the best experts (such as consultants and anthropologists) in order to predict the social and environmental consequences of resource development. They then seek to implement static 'one-size-fits-all' (Newell, 2005, p.556) measures to counter those impacts. As pointed out in Chapter 8 it is unrealistic to expect any 'experts' to act as social clairvoyants to draw on past experiences to accurately predict what will occur in radically different circumstances. The case studies presented in this thesis reveal that blanket universal approaches to CSR are both less likely to recognise local grievances and more likely to produce negative or unintended consequences. Chapter 12 characterised the 'one-size-fits-all' approach as 'top-down' CSR in which indigenous communities are dealt with by corporations as recipients of either better or worse development initiatives (McKenna & Braithwaite, 2012, p.334), rather than facilitating local voices into the design of CSR. In Fraser's (1996, p.30) terms, corporations have failed to achieve 'participatory parity', defined as the, "social arrangements that permit all (adult) members of society to interact with one another as peers".

Interdependent Engagement theory

In an effort to mitigate some of the risks and limitations of CSR as it is currently exists among the case study companies, a new framework for the design of CSR in areas affected by conflict was advanced: Interdependent Engagement. In this section, the

theoretical-modelling of Interdependent Engagement is discussed. This discussion will then be followed by an outline of issues relating to the implementation and assessment of the model.

Interdependent Engagement has been developed inductively through a comparative case study method. In line with the preliminary finding that companies are wary of adopting new 'peace building' roles, Interdependent Engagement has been designed to enable companies and communities to use CSR in a way that may have the potential to contribute to peaceful development.

Figure 5 illustrates the relationship between the work of Fraser and Latour in constructing the Interdependent Engagement model. The vertical axis represents Fraser's 'dual theory of justice' with recognition at one end of the spectrum and distribution at the other. The horizontal axis represents Latour's critique of the use of the term 'the social'. The far left of the 'social' axis indicates a concept of CSR in which corporations are thought to be separate or external to the social world in which they operate. Movement to the right of the horizontal axis indicates an increasing level of engagement with the social, or deeper understanding of corporate activity as fundamentally embedded in the social world.

Interdependent Engagement sits on the far end of the social axis, and aims to strike a balance between distribution and recognition in a way that might maximise the potential for peace. The dotted line indicates that the required balance between distribution and recognition is likely to be different in every situation and may change over time. It is expected that the optimal balance between distribution and recognition is one that alters depending on the primary concerns of local affected communities. It

is also likely that this balance will need to be revisited at various points during the course of the resource project to respond to changes in local priorities and other external pressures, such as changes in national and global economies.

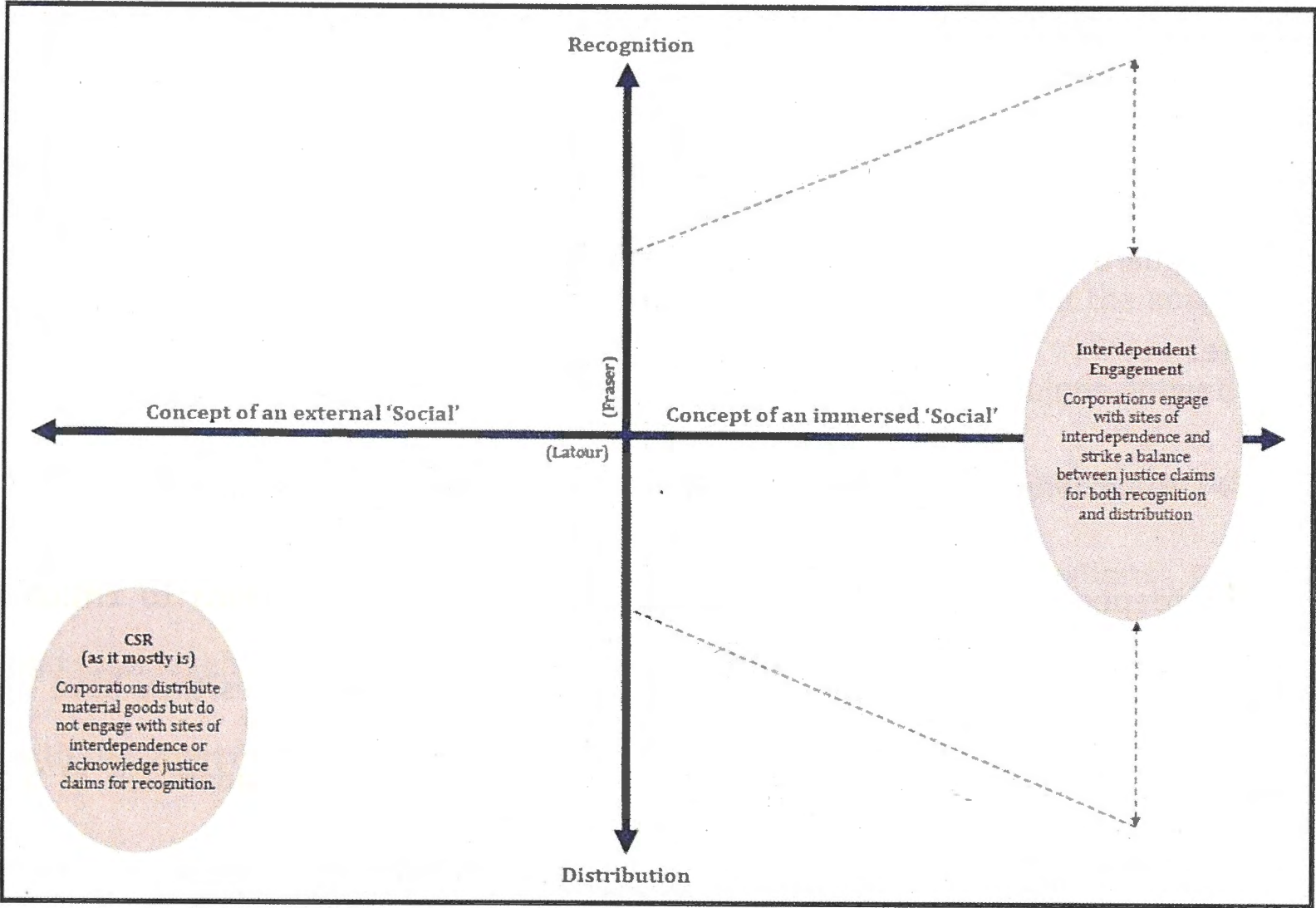


Figure 5 - Interdependent Engagement Theory

My analysis has led me to conclude that the logic of the Interdependent Engagement Framework is based on the following principles:

- **The mutual dependence** of all stakeholders (state, company, locals, military, shareholders) involved in resource development

In Chapter 3 we saw that scholars such as Watts (2004, p.53) have highlighted the normative categories that can be disrupted through natural resource development, such as chieftainship, the space of indigeneity and the nation. Interdependent Engagement builds on this understanding by creating a method that enables

corporations to identify the ways in which they disrupt local spaces and to consider how they might amend their business practices to promote peace. Interdependent Engagement has this potential as it highlights the complex, and sometimes conflicting stakeholder relationships that assemble alongside resource projects. Through engaging with this complexity, corporations are in a better position to identify the opportunities and constraints facing them as they seek to pursue business development in a manner that safeguards the wellbeing of the communities and environments in which they operate.

- **Reflexivity** on the consequences of actions

The Interdependent Engagement Framework encourages corporations to critically reflect on their business practices and the detrimental consequences they have on local communities and environments. This involves not just a consideration of the complexity of the situation, but an active engagement with how corporate actions might facilitate or mitigate the structural injustices that lead to conflict. Moreover, a company with a commitment to Interdependent Engagement would accept the role that resource development can play in either the exacerbation or peaceful resolution of conflict.

The principle of reflexivity however points to a limitation of the Interdependent Engagement model. That is, Interdependent Engagement as it currently stands does not engage with issues of enforcement or compliance. As discussed in Chapter 2, a limitation of the data collected for this study is the lack of interviews with members of regulatory agencies in PNG and Indonesia. Nor does it reflect the views of the financial lenders of the resource projects who are increasingly taking on the role of regulating

the social and environmental impacts of resource development.

The initial phase of research revealed the fact that corporations are unlikely to adopt the 'peace building' mantle. Whether they would be inclined to take on the Interdependent Engagement model under their CSR wing remains untested. As such, analysis of why Interdependent Engagement may or may not be adopted by corporations and what may make the model effective in a given economic and political context (Haines, 2005, p.8) is somewhat speculative at this stage. Yet the analysis is at least motivated by sensitivity to this warning from the work of Haines. Indeed it was this sensitivity that led to the abandonment of the initial peace building model. For future research, an engagement with regulatory agencies at international, provincial and local levels would elucidate a more nuanced analysis of the challenges associated with the implementation, enforcement and compliance to the model.

- **Engagement** with local ontologies and the interests of others

As discussed earlier, corporate engagement with local ontologies requires corporations to correct the 'framing error' of CSR by establishing local communities as active participants in the resource project, not just the host government. By implementing an Interdependent Engagement approach to CSR, corporations would commit to collaborate with locals on the development of a mutually beneficial resource project. This commitment triggers a process of engagement in which corporations and local communities can participate in two-way learning about the protection of society and the environment. The benefit of this approach is that it opens up new possibilities for Western business practices to be informed, indeed transformed by local wisdom, spirituality, reconciliation and cultural values.

- **Flexibility** through constant and on-going responsiveness to situations which change regularly

The achievement of mutual engagement necessitates the development of flexible business strategies that respond to social and environmental problems throughout the life of a resource project. Moreover, the Interdependent Engagement approach recognises that societies are undergoing continuous processes of change. Put differently, the social environment in which resource development occurs is not a temporal vacuum. To be effective CSR must be designed to respond to the dynamic nature of the social, political, economic and environmental circumstances in which they operate. This includes a commitment to empower locals to determine their own future vis-à-vis the economic benefits that emerge through resource development.

One element of the principle of reflexivity involves a commitment to regularly re-evaluate CSR projects in order to guarantee their on-going relevance and effectiveness. It is possible that an initiative agreed by all stakeholders as appropriate at the start of a resource project may need to be adjusted or even abandoned if it does not achieve its intended outcomes, is found to have harmful effects or is no longer considered a priority. The need to respond to changing circumstances is represented graphically by the dotted lines in the theoretical diagram of Interdependent Engagement that indicate the potential for movement (Figure 7).

Interdependent Engagement in practice

In contrast to the CSR programs implemented by BCL, Freeport and BP, Interdependent Engagement may have the potential to translate global business regulation into local justice. This potential is linked to the facilitation of institutional change through engagement with local particularities. In other words, Interdependent

Engagement is social self-regulation as opposed to asocial self-regulation. By recognising the mutuality that exists between large natural resource companies and the societies in which they operate, corporations might develop the capacity to move beyond pure self-interest and engage with the consequences of their business activities on locals.

By engaging with the consequences of business activity on locals, corporations generate a greater capacity to reflect on how they can amend their practices and relationships in ways that protect the well being of society and the environment. In doing so, corporations have an important responsibility to ensure that the rights of local communities are not unjustly compromised by the corporation's profit motive, its reputation management and/or the state's need to achieve national economic development.

Interdependent Engagement is proposed as an ethical framework for how to engage with complex issues in difficult circumstances. It appears from this research that a contrasting limitation of CSR as pursued by the case study companies is that it narrowly emphasises distributive justice or the achievement of affirmative action goals. In Chapter 10 for example, we saw the ineffectiveness of Freeport's focus on employment targets for the long-term training and job satisfaction of indigenous Papuans. Moreover, Interdependent Engagement may potentially offer a pathway for proactive engagement and not just the avoidance of harm or 'business as usual'. As shown in Table 7, the framework sets out a positive formulation for what companies can work towards rather than simply a list of 'do not's'. However further testing of the the reconfigured version of CSR against other case study examples should also be

conducted to assess its efficacy.

Table 7 - Interdependent Engagement Framework

Interdependent Engagement Framework		
Site of interdependence	Disengaged (CSR as it mostly is)	Engaged (CSR reconfigured)
Historical injustice	Corporations side-step their entanglement with colonisation and decolonisation	Corporations acknowledge local colonial legacies and the company's involvement in them
Denial of customary land rights	Corporations draw on State law (or national stories) to delegitimise local grievances and facilitate regional inequality	Corporations open pathways to challenge state law (or national stories) and regional inequality
Regional inequality & contests over resource wealth	Corporations treat local communities as an homogenous entity and are not conscious of the problems associated with different levels of compensation	Corporations acknowledge diversity in the ways local communities are affected by resource development, but are conscious of the dangers in creating hierarchies of compensation
Cultural, political & economic marginalisation	Corporations don't recognise local grievances and deny most local people the opportunity to negotiate	Corporations recognise local grievances and open long-term dialogue with different segments of the community
Human rights violations	Corporations don't acknowledge the tensions between local communities and official authorities	Corporations recognise the hostilities and fears that local communities have of national authorities and seek to open new spaces of security
Community disruption	Corporations maintain social disruption and do not contribute to community development	Corporations seek to alleviate new social problems through community development
Environmental damage	Environmental impact assessments are conducted with no local participation and opportunities to contest the results are repressed	Environmental impact assessments are conducted with local participation and opportunities to contest the results are provided.
Aspirations to define the future	Corporations make no attempt to heal symbolically injustices related to resource development	Corporations nurture reconciliation based on local customs

The first component of the Interdependent Engagement Framework is historical injustice. Chapter 5 argued that an acknowledgement of the intertwining of resource companies with the local historical narratives of host societies is the starting point for authentic community engagement. This is because Bougainvilleans and Papuans have perceived BCL and Freeport as the providers of the financial capacity that has ensnared them in the nation states of PNG and Indonesia respectively. Consequently, BCL and Freeport have become implicated in highly emotive political contests for self-determination. Despite this connection, it was argued that current and former executives of BCL and Freeport remain unwilling to acknowledge their involvement in broader colonial structures and processes. Rather, the companies have approached the local community according to a distributive justice framework (which in practice has sometimes been a distributive injustice project). Through these projects they have sought to establish a harmonious relationship with local communities by distributing material benefits. To resolve their complicity in historical injustices, corporations need to widen their focus to include symbolic recognition through, for example, rewriting the original legal agreements between states and companies to recognise the customary land rights of landowning communities, or participating in local reconciliation processes.

The second component of the Interdependent Engagement model is customary landownership. As discussed earlier, recognition of the interests of locals does not generally occur, as there is/has been a framing error in the corporate-community relations strategies deployed by large natural resource companies in Bougainville and

Papua. The problem with this approach is that local indigenous populations often perceive the state as the main perpetrators of the injustices that give rise to armed conflict. Resource companies need to widen their responsiveness to the nation-state in order to incorporate the interests of locals. Interdependent Engagement has this potential as it can be used to add checks and balances to domestic law. This could be achieved by maintaining pressure on corporations to engage with the grievances of locals in anticipation of the fact that states' interests in generating natural resource wealth for national development can unjustly compromise local interests.

A limitation of focusing on the empowerment of landowners however, is that it risks giving excessive windfalls to local landowners that are beyond their 'absorptive capacity' (Collier, 1999), while people in other parts of the country go without much needed resources. An emphasis on giving power to local landowners thus risks silencing other voices. This risk is reflected in the absence of perspectives in this thesis on the views of those from other geographical parts of PNG and Indonesian society about how the revenue derived from natural resource development should be shared.

Interdependent Engagement does not provide an answer to the question of 'how much is too much for landowners?' Related to the risk identified earlier of essentialising group differences, focusing exclusively on the financial interests of landowners may jeopardise the needs of peoples from other parts of the country, such as uneducated children in remote villages in the PNG Highlands who might be considered to hold a just claim to have a school built by taxes from resource projects in other parts of the country. While Interdependent Engagement does not solve this problem, it has the potential to facilitate a balanced debate in which all of these voices

are heard. The purpose of such a debate would not be to satisfy one group at the expense of another, but to collaboratively define the conditions conducive to peace and equity.

One benefit of an emphasis on affording landowners of mined land recognition and environmental protection is that it might result in an increased willingness to share wealth created by resource extraction projects for the benefit of other parts of society. This will be a key issue for stakeholders involved in the potential re-opening of the Bougainville copper mine (see Ch 12). Bougainvilleans outside of BCL's mining lease areas will likely claim compensation from BCL because like the Panguna landowners, they suffered from the conflict. Another set of demands is likely to come from PNG Highlanders who lost their sons and daughters to a war they did not choose, dying when they were ordered to protect one group of Bougainvilleans (BRA) from another (the Resistance). There might also be demands from the Chinese expatriate community on Bougainville whose homes, land and businesses have been permanently appropriated as a result of the war. There are clearly no simple solutions. Even so, the Interdependent Engagement model might enable voices from many quarters to participate in a conversation about sharing along multiple identities - local, provincial and national (see Ch 7).

The third component of the Interdependent Engagement model is regional inequality and contests over resource wealth. A theme in the data collected for this study has been the inequitable distribution of resource wealth in favour of the central governments of PNG and Indonesia, rather than the resource producing regions of Bougainville and Papua. While recognising the importance of achieving an equitable

distribution of resource wealth, giving locals a greater share of this wealth than all stakeholders come to accept through dialogue as just is not sufficient to avoid conflict. Rather, the potential to avoid conflict is contingent on how this wealth is distributed; as well as an engagement with how these resources can distort local relationships. The economic wealth produced through resource development has a tendency to produce conflict when it alters local connections. This is a curse of resources being used to divide rather than strengthen local relationships. Therefore, a key component of Interdependent Engagement is an ongoing responsiveness to the changes that occur in relationships at the national, provincial and local levels.

The fourth component of the Interdependent Engagement model is cultural, political and economic marginalisation, discussed in Chapter 8. It was argued that BCL, Freeport and BP have not succeeded in opening long-term dialogue with all stakeholders of their resource projects. This is one consequence of the 'framing error' of BCL, Freeport and BP's CSR strategies, in which large natural resource companies often initiate dialogue with the state rather than the local community. This exclusion aggravates broader grievances relating to cultural, political and economic marginalisation. In the Interdependent Engagement Framework, preventive peace dialogue on the social, political, economic and environmental terms of access to land takes place through ongoing and collaborative negotiations between all stakeholders of the resource project.

The fifth component of the Interdependent Engagement model is human rights violations. In the case studies presented in this thesis it was clear that BCL and Freeport have failed in different ways to recognise local fears about, and hostilities towards, the state's security apparatus. In contrast, it was argued that BP's

Community Based Security Strategy has demonstrated an awareness of the apprehension that many Papuans hold towards the Indonesian security forces. BP's community model was made possible through the company's willingness to consider alternative models of resource security, as well as a level of ambivalence towards stories of Indonesian state sovereignty. One indicator that BP has made progress in this area has been the absence of reports of human rights violations in the area of the Tangguh project to the Indonesian Commission for Human Rights. While it is still early in the life of this project, the BP experience demonstrates what can be achieved when corporations think creatively about security arrangements in ways that minimise the risk of human rights violations.

The sixth component of Interdependent Engagement is community disruption. In Chapter 10, the limited capacity of natural resource companies to predict the social impacts that resource development will have on a local community was highlighted. This was reflected in the cases of Bougainville and Papua where BCL, Freeport and BP's resource projects created a number of social problems that were either not anticipated during the initial stages of the resource projects, or the companies were unwilling to engage with because of the way they saw their own business interest. As a consequence, the companies have implemented misguided community development projects that have either failed to resolve these social problems, or led to the creation of new local conflicts. Such a result can potentially be avoided by developing flexible and context-specific projects that respond to problems as they emerge, rather than static solutions based on a company's or consultants' past experiences in radically different circumstances. This flexibility might also enable corporations to develop the capacity to use local grievances as the basis from which to implement more

meaningful community development projects.

The seventh component of the Interdependent Engagement model is environmental damage. In Chapter 11 it was argued that the adoption of the sustainable development discourse by the natural resource sector has not led to greater local participation in decisions relating to the environment. In the cases of Bougainville and Papua, this is reflected in the exclusion of indigenous landowners in environmental impact assessments and surveys. Consequently, decisions relating to environmental management have been made by actors and institutions, which do not share the same spiritual attachments to land. The environmental damage caused by natural resource development has a tendency to provoke conflict flash points, as it triggers strong feelings of injustice relating to cultural recognition and the denial of local wisdom. It was suggested that by engaging more sincerely with indigenous peoples, resource companies could learn more meaningful, less Western and more spiritually engaged forms of ecological interdependence. Interdependent Engagement therefore, is interdependence with both local social dialogues and environmental ecologies.

The eighth component of the Interdependent Engagement model is aspirations to define the future. Participation in the promotion of local reconciliation processes is the greatest opportunity that natural resource companies have to empower locals to determine their own future. While there are important differences between Bougainville and Papua in regard to the expected roles that companies should play in reconciliation processes, both cases emphasise the need to work towards mutually beneficial economic development. For this to be successful all stakeholders need to take active responsibility for the resource project, including the local community.

The benefit of Interdependent Engagement more broadly

Interdependent Engagement can be characterised as a new method and a new definition of Corporate Social Responsibility. It is a process that might encourage corporations to be more responsive to the consequences of business activity on the societies in which they operate. The Interdependent Engagement Framework therefore, aims to prompt more effective forms of CSR through place-oriented approaches that acknowledge the primacy of local empowerment, and the importance of all stakeholders working together towards shared goals.

The logic of Interdependent Engagement is not limited to specific locations (in this case Bougainville and Papua), or to CSR more generally. The principles of Interdependent Engagement: mutuality, reflexivity, engagement and flexibility are general qualities worth considering in other endeavours that aim to achieve economic development while protecting the wellbeing of minority groups and environmental sustainability.

The peaceful development of natural resources requires the development of new approaches to CSR that are responsive to bottom-up justice claims. Through engaging with the interdependencies of business activities with the root causes of conflict, it has been argued that Interdependent Engagement is one way this could be achieved. Empowering those who suffer disproportionately from natural resource development is an important step in recognising the struggle of indigenous peoples for recognition. This is a struggle for identity, to be taken seriously, to share alternative versions of history and for these histories to be acknowledged. Interdependent Engagement could be a powerful vehicle to facilitate this recognition.

It is important to note however, that the Interdependent Engagement model has developed out of an analysis of three specific companies operating in two resource conflicts located in Melanesia. It is likely that the model would benefit from further development by considering its application to other natural resource companies operating in other conflict affected societies and in different cultural contexts. Interdependent Engagement would also be strengthened by broader stakeholder consultation processes so that key components of the model can be refined in collaboration with corporate executives, state officials and landowning communities.

This brings us back to the quote from the opening of the thesis:

...In every organisation or company, the management should be connected with us. It took so many years to understand that. Nobody understood that at the time... but they do now (BOU18, Landowner Group Chairman).

The goals of Interdependent Engagement link with broader aspirations for a global economy that is more connected with the impacts of development practices on individuals, societies and environments. This involves an understanding of the delicate balance on which life depends and requires, “an extension of constructs of self-interest in which the needs of others begin to emerge as covalent with one’s own” (Macy, 1991, p.194). This aspiration connects with Escobar’s (1995) search for alternatives to development, or development alternatives. The Interdependent Engagement Framework opens a space for the destabilisation of dominant modes of knowing, by facilitating opportunities to engage with the ways of knowing of others. As Escobar (1995, p.225) argues, “the greatest political promise of minority cultures is their potential for resisting and subverting the axiomatics of capitalism and modernity in

their hegemonic form". In this way, Interdependent Engagement is not a 'development alternative' per se, but it may represent a shift in the processes of development, which may lead to the emergence of alternatives.

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Appendices

Appendix 1: Sample interview questions with CSR executives

- What is your job in the company?
- What does it mean for a company like yours to be socially responsible? What are some of the main issues for your company?
- I'm interested in armed conflict and the contributions companies can sometimes make to peace or war. What are the social responsibilities of business in communities where there are armed conflicts? Are there particular issues you can think of that might impact your company's ability to be socially responsible in a conflict area?
- What is the thing you are most proud of about the way your company has operated in Burma/Bougainville/Papua?
- On the negative side, anything the company has regrets about in the way things have worked out in its Burma/Bougainville/Papua?
- What are some of the ways in which your company has responded to being caught up in a conflict environment? Do you consider this to be a 'positive' response? Or in hindsight, have you thought about how you could have done things better?
- Corporations are most often viewed as a negative actor in a conflict scenario, what is your view on this?
- What would motivate your company to contribute to peace building? What would be the most practical yet beneficial way for your company to contribute to the objective of peace?

- What are the key relationships that result in a company's activities either having a positive or negative impact on conflict dynamics?
- Do you foresee any harmful side effects of companies like yours engaging with community development in Burma/Bougainville/Papua?
- One of the things that excites me about my research is that I might find new ways that corporations can help build peace. Do you have any ideas on special ways or new ways that business can be a contributor to peace building?
- Any lessons you draw from that on how to make CSR a better force for good?

Appendix 2: Sample interview questions for former and current employees of BCL.

- What is your job in the company?
- Your company found itself in a secessionist conflict. How did you manage this when it came up?
- What forms of security were used to protect the mine before the conflict began?
- Did BCL management view the company as a 'symbol' of Australian colonialism? Is there anything that the company could have done to 'soften' the impact of Australian colonialism?
- How do you think contemporary voluntary standards and initiatives would have changed your company's involvement in Bougainville? What do you think the main differences would be?
- I guess for BCL, CSR was not the way people talked in the 60s. Yet there was environmental concern by BCL. How would you describe CSR as something that came into BCLs way of doing business"
- Bougainvillean communities are characterized by a kind of egalitarianism whereas a company is more hierarchical. What kinds of problems emerge with these kinds of organisational differences?
- Why did jealousies and suspicions emerge when BCL employed local village relations officers?
- How is CSR designed or negotiated when there are so many different groups affected by your business activity in different ways?
- Were Bougainvilleans treated fairly in comparison to other ethnic groups?

- How did the company negotiate directly with the PLA? How did this change when Ona and the New PLA came on the scene?
- What is the role of the company when tensions form as a result of the money the company gives out?
- Is there some way that the company could have offered opportunities outside of employment for the young men who eventually formed the BRA partly for power and status?
- What do you think communities ultimately want out of CSR?
- Where does BCL fit in with negotiations taking place to re-open the mine?
- Has the Autonomous Bougainville Government invited BCL to participate in any reconciliation ceremonies?
- Do you think Bougainvilleans would prefer BCL over another company as the operator?
- How much recognition will the company give to the negative implications of the mine in the past? Will this recognition form a framework for the design of your CSR strategy in the future?

Appendix 3: Sample interview questions for Bougainvilleans

- In what ways do you think BCL was caught up in Australian colonialism?
- Did BCL attempt to negotiate with the BRA and Panguna Landowners? How did they negotiate?
- Do you think BCL was responsive to the grievances of the Panguna landowners? How could they have been more responsive?
- What do you think were the major social problems caused by the mine?
- Do you think that BCL provided opportunities for Bougainvilleans to express their concerns about the impacts of mining?
- Do you think BCL could have pressured the PNG government to offer more protection to Bougainvilleans in regards to land rights and compensation?
- What could BCL have done to solve the tensions between the new and old Panguna landowners?
- What could BCL have done to harness a peaceful relationship between Bougainvilleans and 'redskins'?
- How did BCL give out compensation money?
- Did BCL's compensation create jealousies amongst Bougainvilleans?
- What do you think BCL's motives were when they gave money out through Trust Funds and created hospitals?
- Do you think BCL was sensitive to Bougainvillean fear or hostility towards the PNGDF?
- Do you think BCL will participate in reconciliation ceremonies and peace building in Bougainville? How do you think this should happen?

- What would you want BCL or another company to do if the mine were to re-open?
- Would you prefer BCL over another company?

Appendix 4: 2011 Papua Peace Conference 'Indicators of Papua, Land of Peace'

Produced by the Drafting Committee of the Papua Peace Conference, 5-7 July 2011

(Source: ICG, 2011, p.19-20)

I. Political:

1. Indigenous Papuans feel safe, secure and are able to live a prosperous life on their land, living in harmony with each other, the land, and God.
2. There is no longer stigmatisation of indigenous Papuans as separatists or rebels.
3. Differences of opinion over Papua's political status are resolved.
4. The history of Papua is rectified without manipulation or machinations.
5. Indigenous Papuans are always involved in agreements related to the interests and future of the Papuan people.
6. The roots of the Papuan problem are resolved fully and with dignity.
7. Indigenous Papuans live without intimidation, discrimination or marginalisation.
8. Customs are valued and honoured, and their existence recognised and legitimised.

II. Law and Human Rights

1. Indigenous Papuans have freedom of expression, opinion and assembly.

2. State violence against indigenous Papuans, including against women and children, no longer takes place.
3. The perpetrators of state violence are brought to trial and sentenced in a way that gives indigenous Papuans and victims a sense of justice.
4. Law enforcement toward corruptors takes place in a way that gives the people a sense of justice.
5. Policies that hinder the freedoms of expression, opinion and assembly are no longer in force.
6. A Human Rights Court is established in the Land of Papua.⁷⁵
7. Customary justice is recognised in the formal legal system.

III. Economics and Environment

1. Customary land (*tanah ulayat*) of indigenous Papuans is fully mapped.
2. Customary rights of indigenous Papuans are recognised in law.
3. Transfer and control of customary land does not eliminate the right of land ownership by indigenous Papuans.
4. Management of natural resources is undertaken in a way that protects the environment, respects local wisdom and provides maximal benefits to indigenous Papuans.

5. Companies that damage the environment and cause losses to customary landowners incur legal and administrative punishments.
6. Forest and fields that are sources of production for indigenous Papuans are rehabilitated.
7. Forest conversion practices that contribute to global warming are stopped.
8. Customary leaders and communities are involved in the drafting of plans for natural resource investment.
9. Illegal fishing, mining and logging are stopped and the perpetrators prosecuted.
10. The empowerment of indigenous Papuans in different sectors of the economy is carried out according to regulations that discriminate in favour of indigenous Papuans and provide training and business capital.
11. The government and private sector prepare and implement affirmative action for indigenous Papuans so that they can fill employment vacancies in various sectors.

IV. Security

1. Security forces carry out their assignments professionally and in a way that respects human rights, so that indigenous Papuans feel safe.
2. Military posts are only established along international borders in non-residential areas.

3. Reduction of non-organic police and military personnel takes place across the Land of Papua.
4. The institutional development of the military is not based on the creation of new civil government units (village, subdistrict, district/municipality and province).
5. Intelligence operations marked by intimidation that generate a sense of insecurity are stopped.
6. The military and police are banned from engaging in business or politics, with legal sanctions imposed on violators.
7. Government security forces are forbidden to work as adjutants or security guards for civilian officials.

V. Social-Cultural

1. Basic socio-cultural rights of indigenous Papuans, including norms and customs, are recognised and valued.
2. Labeling of indigenous Papuans as stupid, drunk, lazy and primitive ceases.
3. Attitudes that demean and debase indigenous Papuan culture, resulting in an identity crisis for Papuans, disappear.
4. Discrimination against people with HIV/AIDS disappears.
5. The mortality rate for indigenous Papuan women and children is brought down via professional health care services.

6. Health services in the form of medical personnel and facilities are established down to the most remote hamlets.

7. The distribution and consumption of alcohol and narcotics are stopped in the Land of Papua.

8. Entertainment places in the forms of bars and brothels are closed.

9. The quality of education is raised through improvement of facilities, increase in the number of teachers, improvement in the welfare of teachers, development of a more contextual curriculum and management of education funding in accordance with targets and goals.

10. Policies such as family planning programs that limit births and lead to the population decline of indigenous

Papuans are stopped.

11. Policies that limit the flow of migrants to the Land of Papua are made and followed.